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REAUTHORIZATION OF THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

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HEARING

BEFORE THE

SUBCOMMITTEE ON
CHILDREN, FAMILY, DRUGS AND ALCOHOLISM

OF THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

REVIEWING PROPOSED LEGISLATION AUTHORIZING FUNDS FOR THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

MARCH 13, 1986

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REAUTHORIZATION OF THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

THURSDAY, MARCH 13, 1986

U.S. SENATE,
SUBCOMMITTEE ON CHILDREN, FAMILY,
DRUGS, AND ALCOHOLISM,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee convened, pursuant to notice, at 10 a.m., in room SD-430, Dirksen Senate Office Building, Senator Paula Hawkins (chairman of the subcommittee) presiding.

Present: Senators Hawkins, Dodd, Grassley, and Kerry.

OPENING STATEMENT OF SENATOR HAWKINS

Senator HAWKINS. Good morning.

As chairman of the Subcommittee on Children, Family, Drugs, and Alcoholism, I call this hearing to order, and welcome all of you to this morning's program, which is to reauthorize the Low-Income Home Energy Assistance Program.

I have an emergency at 11, which requires me to be in another building, so we are going to move right along and ask the witnesses to submit their statements in the record. We will just entertain questions, in an effort to expedite the hearing. We are trying to get another Senator to come to relieve me at 11. In any event, we will move right along.

We are here to discuss the reauthorization of an act which today affects close to 7 million households all across the United States. The intent of the program was to provide assistance to the poor, those on fixed incomes, who were unable to pay to heat and cool their homes during the height of the mid-seventies oil embargo.

This program was designed with a noble purpose—to put an end to the tales of families huddled around open ovens, using dangerous space heaters and literally freezing to death, their heating turned off because they could not pay their energy bills.

But there are noticeable holes in this so-called safety net. There are nearly 7 million people, as I said, on the program, but they represent only one-quarter of the low-income people who are eligible for the assistance.

Despite the growth of this program, from $200 million when it began in 1977, to the $1.2 billion authorized last year, despite that massive increase, States still often run out of funds before they are able to assist all those who need help.

Despite the intent that this program be available to assist families during weather emergencies, we still hear stories of people in crisis being denied assistance.

Despite the outreach activities required by this program, we still have States where the working poor and others not plugged into the welfare system are never informed of the availability of this assistance.

Despite specific and clear direction by this committee, attempts are still being made to include low-income energy assistance payment when determining eligibility for food stamps, thereby creating just the type of "heat or eat" dilemma for the poor that this program was designed to avoid.

Language in this year's reauthorization bill will attempt to prevent this. But given the Department of Agriculture's tendency to ignore our mandates, I think I will continue to have to serve as a watch dog on the Senate Agriculture Committee to ensure that the food stamp policies are consistent with this program.

There is a desperate need—often a life or death need—for this energy assistance. Low-income energy assistance is not limited to heating costs; it helps with cooling as well. I want to point out that contrary to popular belief, cooling costs are not a luxury. They are a necessity to many throughout the United States, especially those in my home State of Florida, where over a 3-year period, 13 people died as a result of inadequate protection from heat. You cannot tell their families that air conditioning is a luxury.

Contrary to popular belief, many of those most vulnerable to an energy crisis are not recipients of public welfare. They are the working poor, the elderly, the handicapped, and other individuals and families who are not being served by the various social service systems. These low-income households spend more than 14 percent of their income on energy as compared to less than 5 percent for all households. Low-income energy assistance does not solve the problem for these people; it only helps a little.

On the average, low-income energy assistance covers 20 percent of their household energy bills. Low-income energy assistance is designed to perform outreach programs to those segments of the low-income society, not just those who are already statistics in the welfare system.

That is why the Community Action Agencies who administer some of the energy assistance programs in a majority of the States are so essential, because they can reach those elderly poor, and those working poor who are not familiar with the welfare system. Most of these Community Action Agencies use volunteers to help with this program, as they do with so many others. As President Reagan has so often called for, they promote volunteerism—neighbor helping neighbor—not just the delivery of a check from a faceless person.

We know what the program is designed to do, and today while we consider the reauthorization of the Low-Income Home Energy Assistance Program, we will examine how well the program is working and what can be done to make it better.

Senator Kerry. You may proceed with your opening statement.

[Opening statement of Senator Kerry follows:]

OPENING STATEMENT BY SENATOR JOHN KERRY

Good Morning. I want to welcome our witnesses to today's hearing on the reauthorization of the Low Income Home Energy Assistance Program, commonly known as LIHEAP.

Two years ago I sat in this same committee room on the other side of the table and testified on the critical need to continue the low income energy assistance program which has proven absolutely vital to the health and well being of our nation's poor and elderly. Today I am here as a cosponsor of S. 2081, a bill that reauthorizes (LIHEAP) for four years; and today, as when I was here before, I speak on behalf of America's economically disadvantaged citizens who are forced to face the devastating choices of whether to eat and pay rent or to have their homes heated.

Adequate heat during the cold winter months and sufficient cooling in the summer can mean the difference between life and death for many of America's elderly, not to mention its necessity to ensuring health for countless infants and children.

The LIHEAP program provides aid to eligible individuals for home heating, cooling weatherization and energy related emergencies. Although the program does not fully absorb the cost of home heating for low income households, LIHEAP payments offset high heating costs.

In over half of the country, the average low income household energy expenditure is approximately $1,000 per year. And in some parts of the country this accounts for 20 percent of a poor family's income. Nonetheless, the average heating assistance benefit for LIHEAP is $220 per year. In sum, low income households are being forced to use their meager earnings and benefits to pay sky high energy costs. According to a 1984 report, during the three coldest months of winter, in 47 states, since elderly persons living on SSI had only $61 or less for remaining living expenses each week after paying home heating costs. For these elderly citizens, a basic cost which should comprise a modest portion of their budget, has led to agonizing choices.

Furthermore, the LIHEAP program serves only a fraction of eligible households. In FY 1985 approximately 7 million households were served under LIHEAP, yet over 20 million households were eligible for aid according to the eligibiltiy for criteria. Due to limited funds, states are forced to serve only the neediest of the needy.

Because of the limited funds available to address this pervasive problem, I want to state my opposition to any proposals which would utilize only overcharge monies as a substitute for federal LIHEAP funds. I want to applaud the recent United States Supreme Court decision not to review the Exxon oil overcharge case, thus reinstating the federal district court order which requires Exxon to pay over $2 billion for violations of price control regulations. The $2 billion will be paid to the states for distribution to one or more of five designated Federal program including LIHEAP and weatherization. Similar to the 1982 Warner amendment, these oil charge monies are supposed to provide restitution to purchasers who were injured by the Exxon price control violations. I am adamant that these funds must be used to supplement LIHEAP and weatherization funds not as a substitute. As I noted earlier LIHEAP is unable to keep pace with the low income consumer's energy needs. It is unconscionable to consider using these funds to supplant the already meager LIHEAP appropriation.

In my own state, a large portion of these funds are likely to be used for weatherization. Massachusetts is a state comprised of older housing thus many of the buildings that house our poor and elderly are poorly insulated.

Also in Massachusetts, like other northeastern states, the heating season corresponds with the first two quarters of the federal fiscal year. During that time the Commonwealth will serve 160,000 families, 35 to 45 percent of them elderly citizens. It is critical that Massachusetts and other states in our region be able to receive 100 percent of their LIHEAP allocation during those frigid winter months. It is my understanding that OMB recently directed the Department of Health and Human Services to allocate only 90 percent of the LIHEAP funds to the states. It is estimated that in Massachusetts alone, a 10 percent reduction during the severe winter months will result in a delay of services to as many as 16,000 low income households. This insensitivity to the basic energy needs of low income citizens is shameless. Senator Kennedy and myself have recently written to Senator Bowen requesting a waiver to this directive. OMB's action is outrageous and the ramifications could prove devastating. This is another example of the Administration's abdication of its commitment to assisting America's less fortunate citizens.

Stability and flexibility is the key to success of LIHEAP. Stable funding, a stable formula and a stable four year reauthorization is vital to ensuring adequate heating

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to our nation's low income citizens and America's elderly. I want to thank you Madam Chairman for holding today's hearing and I look forward to today's testimony.

Senator HAWKINS. We will, at this time, receive statements by Senators Hatch and Grassley for the record.

[The prepared statements of Senators Hatch and Grassley follow:]

OPENING STATEMENT OF SENATOR ORRIN G. HATCH

I am sorry that I cannot attend this important hearing; however, I have other responsibilities which prevent my attendance. I know that under the outstanding leadership of Senator Hawkins this subcommittee will carefully consider the testimony to be presented.

I am pleased for the opportunity to comment on the reauthorization of the Low-Income Home Energy Assistance Act of 1981. Over the past 5 years this program has assisted millions of handicapped, aged, and low income citizens in obtaining financial support to pay their home energy bills.

Heating and cooling are necessities most of us take for granted. We grumble about rising energy costs, but few of us must seriously consider the possibility that we can't have these necessities because we haven't the money to pay for them. This unfortunately is not true for many with low incomes. Everyday they are forced to make a number of choices. Fuel costs for heating and cooling must compete with other necessities such as food, shelter and clothing. As the price for these necessities increases low-income people are forced to go without, or severely limit what they spend for heating and cooling or eating.

In a small western town, Mr. Keefer, probably at this very moment, is sitting bundled in coats, with a heavy blanket over his shoulders in an effort to retain all the heat he can, heat which is coming from a two-burner gas camp stove. He gets kerosene almost free because one of the local stores has an oversupply, and the gallon cans are rusting. You can't sell kerosene with rust sediment in it except to people like Mr. Keefer who can't afford anything else and can spend his days fussing with the jets and pumping air into the tanks.

Mr. Keefer is 86 years old and his home is a small frame house. In years past it was for the hired hands who worked on the family farm. About once a day, he warms the house up for a few hours with chunks of coal burned in the kitchen range. This is the pattern of his life during the long winter months.

The community, and his church help him with home chores, providing some of his meals and in many other ways. The assistance has gone on for many years and it tends to go up or down depending on who is responsible. One complication is that Mr. Keefer's needs change constantly depending on a variety of factors such as: visits by family members, his health, weather conditions and economic conditions in the community. Providing assistance is further complicated because Mr. Keefer hates to ask for help. He is proud and independent. He spent his early years taking care of others. Accepting dependency is not in his nature or life style, and he resists it. He subscribes to the philosophy "Fix it up, wear it out, make it do, or do without." To the extent possible, he is now trying to do without heat, in order to save money. He is not a recipient of government welfare. His income comes from a small social security check and rent collected from a neighbor who farms a small strip of land Mr. Keefer owns. Mr. Keefer does not need a whole array of welfare services. At times, he doesn't need, or want, assistance at all. What he needs is a service that can be tailored to meet specific situations, but still leaves him with his dignity, independence and self sufficiency.

I don't know Mr. Keefer personally, but I do know the town he lives in and I know many people like him. These people face similar problems trying to meet the ever increasing costs of the necessities of life.

The Low-Income Home Energy Assistance program was designed to help resolve these problems. With each reauthorization of the act funds have been targeted to address the changes that occur in providing heating and cooling for low-income people. In addition, the program assists low income people in conserving energy through awareness activities and direct assistance with weatherization. These features along with the programs emphasis on local decision making and community involvement have made this a cost effective and successful program.

The task we have before us today is to improve the Low-Income Home Energy Assistance Act through the reauthorization process. By the testimony presented

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today we will be able to better identify how this program can more effectively and economically assist low-income citizens in meeting their home energy needs.

STATEMENT OF SENATOR CHARLES E. GRASSLEY

Senator Hawkins, thank you for holding this hearing today on reauthorization of the Low Income Home Energy Assistance Program.

I am pleased to attend this hearing today because the efforts of the Community Action Agencies in administering the "LIHEAP" Program is a special type of "American partnership" that brings together Federal sources, State sources, local community sources and the resources of the private and business sectors. County and municipal resources alone are insufficient to provide the emergency energy assistance, heating and weatherization assistance needed.

The reports from Iowa of this working partnership are encouraging. Madge Phillip of Linn County, said recently that the back and forth cooperation between various members of the community helps provide "additional resources that general relief doesn't cover." Winter coats, blankets, protection for the elderly are all part of the additional resources from the Iowa partnership. These are important resources and are necessary for the dignity of those in need.

Additionally in Iowa for the year 1985, 9,212 homes received weatherization assistance and 106,834 households received home heating assistance.

The success of Iowa's Community Action Agencies' efforts is widely recognized by local government officials. John McKee, Warren County supervisor said that the "LIHEAP" assistance is a key part of the county's relief efforts. It is a special aid to the general relief department that might not otherwise be provided.

I welcome all the witnesses here today and look forward to your testimony as we develop responsible legislation to reauthorize this program.

Senator HAWKINS. Our first witness is Jo Anne B. Ross, Associate Commissioner for Family Assistance, Social Security Administration, Department of HHS.

STATEMENT OF JO ANNE B. ROSS, ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC, ACCOMPANIED BY NORMAN THOMPSON

Senator HAWKINS. Ms. Ross, we will enter your testimony as though read, and in fact, have some questions for you.

How many households are eligible for the LIHEAP funds under the more restrictive eligibility standards adopted by many States?

Ms. Ross. Madam Chairman, we have a total eligible population in the country of roughly 23 to 24 million households. Under the more restrictive standards in the States, about 17.6 million households are eligible for the program.

Senator HAWKINS. How many under the statutory standards?

Ms. Ross. Under statutory standards, about 23.4 million.

Senator HAWKINS. What percentage of the households are served by this program?

Ms. Ross. Under the statutory standards, about 31 percent are served by the program, and under the more restrictive State standards, about 41 percent are served by the program.

Senator HAWKINS. What kind of household is eligible and not being served?

Ms. Ross. That is a difficult question to answer. I am not exactly sure I understand what you mean by "what kind of household". We have a situation where about one-third of the households receiving LIHEAP get no other form of public assistance.

We know also that about half the households on the program receive food stamps; about one-quarter receive AFDC; one in five receive SSI, and one in nine receive some kind of a housing subsidy.

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Senator HAWKINS. Is there a profile for their energy needs?

Ms. Ross. A profile for their energy needs?

Senator HAWKINS. Yes. What are their energy needs?

Ms. Ross. We do have information in terms of the percent of income and the average heating costs of households who receive LIHEAP benefits. The average heating cost of a LIHEAP recipient household for fiscal year 1986 is about $498 a year. Of that, the LIHEAP benefit for heating covers roughly 45 percent, because the average benefit for fiscal year 1986 is estimated at $226.

Senator HAWKINS. What proportion of the elderly and handicapped population who have priority under this program are being served?

Ms. Ross. We have information that roughly 40 percent of the households receiving LIHEAP assistance have one or more members which are elderly, and that correlates very closely to the percentage of the general population that is elderly.

In terms of handicapped, we do not have that kind of information. The Human Services Reauthorization Act contains a new requirement for States to record information on the handicapped participants in the program which takes effect this year. So, as we get that kind of information, we will certainly make it available to the committee.

Senator HAWKINS. If you would provide it, I would appreciate it.

What proportion of the lowest income groups, those under 50 percent of the OMB poverty level, are served by the program?

Ms. Ross. I believe that 46 percent of those who are under 50 percent of the OMB poverty level are served by the program.

Senator HAWKINS. What proportion of the eligible elderly who are not SSI or food stamp recipients are being served?

Ms. Ross. Madame Chairman, I do not believe I have that kind of information here.

Senator HAWKINS. Could you provide it?

Ms. Ross. We can provide it for the record.

Senator HAWKINS. If you would, I would appreciate it.

Thank you.

[Information supplied follows:]

PROPORTION OF ELIGIBLE ELDERLY WHO ARE SSI OR FOOD STAMP RECIPIENTS BEING SERVED

Based on the March 1985 Current Population Survey, we estimate that 9 percent of the eligible elderly who are not SSI, food stamp, or AFDC recipients are receiving LIHEAP heating assistance. However, we estimate that 42 percent of the elderly actually receiving heating assistance are not SSI, food stamp, or AFDC recipients.

In comparison, about 29 percent of all LIHEAP recipients do not receive SSI, food stamps, or AFDC. The higher proportion of elderly households receiving LIHEAP assistance but not SSI, food stamps, or AFDC reflects the requirement that States target the elderly and handicapped in their outreach efforts.

Senator HAWKINS. How much of the energy bills of the LIHEAP recipients are covered by the LIHEAP payment?

Ms. Ross. About 45 percent of the heating cost of the average recipient household is covered by the LIHEAP payment.

Senator HAWKINS. How much do the recipients typically owe on the balance after receiving LIHEAP in the Midwest, say, or the Northeast?

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Ms. Ross. The information we have on the amount of energy bills that recipients owe after receiving LIHEAP benefits is from 1983, and that information indicated that across the Nation, the average household owed about $188 after receipt of LIHEAP, which represented a little over 3 percent of their income.

If you look at the Northeast region in particular, $420 was owed after LIHEAP, which represents about 6 percent of the average recipient household's income. For the Midwest, $270 was owed, representing 4.7 percent of the average recipient household's income.

Generally speaking, LIHEAP paid about half of the heating costs for those regions of the country.

Senator HAWKINS. How much of the average recipient's income is spent on home energy?

Ms. Ross. In the low income population in general, it is about 6 percent. For LIHEAP recipient households, we estimate 7 percent of income is spent on heating costs.

Senator HAWKINS. Do you have any figures to show how many of the households face shutoffs because of unpaid utility bills?

Ms. Ross. The best information we have on that is information from the residential energy consumption survey, and the current population survey which showed that roughly 1.3 to 1.4 million households were without heat because of inability to pay for 1 day or more during the winters of 1981-82 and 1983-84. About 80 percent of the 1.3 or 1.4 million households, were actually eligible for the LIHEAP Program.

Senator HAWKINS. And if shut off, they have to increase their deposit in those instances?

Ms. Ross. It is unclear exactly what would happen in terms of increasing their deposits. I could not answer that question.

Senator HAWKINS. Could you find that out? Most States have a reconnect charge and also the deposit increases when they have cut off, and I believe we could——

Ms. Ross. I will be happy to. I will see what I can find out on that.

Senator HAWKINS. If you find that; that is an additional burden.

Ms. Ross. We do have some information on moratoria that States have, preventing utility shutoffs for LIHEAP recipients and other households during the coldest months of the year, if you would be interested.

Senator HAWKINS. Yes.

Ms. Ross. We could provide that as well.

Senator HAWKINS. Yes. If you would, that would assist us greatly.

[Information supplied follows:]

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NUMBER OF HOUSEHOLDS FACING SHUTOFFS BECAUSE OF UNPAID UTILITY BILLS

The National Association of Regulatory Utility Commissioners (NARUC) is the most recent source of information on households facing shutoffs because of unpaid utility bills. On October 3, 1985, NARUC issued its report, Survey of Electric and Natural Gas Utility Uncollectible Accounts and Service Disconnections for 1984. The report is based on a survey that NARUC conducted in the summer of 1985. The Office of Family Assistance paid $5,000 for NARUC to expand its survey of the range of utility measures being used to help customers with utility payment problems.

Attached from NARUC's report are State-specific tables that address the information requested for the record by the Subcommittee:

- Residential bills 60 days or more in arrearage, by utility company and quarter for 1984 (Section I - Table 4). (We do not have information concerning arrearages of low income households only.)
- Number of residential customers receiving termination notices, by utility company and quarter for 1984 (Section I - Table 6).
- Amount of reconnection fees, by utility company (Section I - Table 8).
- Reconnection policies regarding arrearages, by utility company (Section I - Table 9).
- Winter disconnection policies (Section II - Table 3).
- Nature of winter restrictions (Section II - Table 4).

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NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS
1102 INTERSTATE COMMERCE COMMISSION BUILDING
CONSTITUTION AVENUE AND TWELFTH STREET, N.W.
POST OFFICE BOX 684, WASHINGTON, D.C. 20044

SURVEY OF ELECTRIC AND NATURAL GAS UTILITY UNCOLLECTIBLE ACCOUNTS AND SERVICE DISCONNECTIONS FOR 1984

PAUL RODGERS
GENERAL COUNSEL

MICHAEL FOLEY
DIRECTOR OF
FINANCIAL ANALYSIS

RUSSELL TUCKER
ECONOMIST

OCTOBER 3, 1985

(NOTE: Due to printing limitations, and in the interest of economy, a large number of tables accompanying this survey were retained in the files of the committee.)

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Senator HAWKINS. Do you have the amount that is overdue and owed to utility and oil companies by the poor?

Ms. Ross. I do not have that kind of information. I do not believe that kind of information is available on a national basis.

Senator HAWKINS. State by State?

Ms. Ross. I am not even sure the States would have it. I think we might have to go to utility companies for that kind of information. But I can check and see what kind of data we do have.

Senator HAWKINS. We can probably get it from the public service commissions in each State.

Are these people able to pay more, but are just not willing to do so?

Ms. Ross. What the surveys show is that there are different reasons why people do not pay. In fact, a substantial minority of people are able to pay and do not pay because they are unwilling to do so. According to the information we have, some people do not pay because of mismanagement, the inability to budget, some do not pay because they just do not have the funds to pay, and a very small percentage do not pay because they are unwilling to.

Senator HAWKINS. We all know that oil prices have come down recently and very dramatically. Have the LIHEAP households saved anything this heating season?

Ms. Ross. This heating season, no, I do not believe so, because heating fuel prices actually rose slightly from December 1984 to December 1985. The decrease in energy prices for consumers that we are hearing a lot about these days is actually going to take place between this past December and next December.

Senator HAWKINS. I have read an awful lot about the Exxon oil overcharge money. And I have a colleague in the Senate Budget Committee who I understand is considering cutting the budget request for LIHEAP in half, citing as the rationale the fact that States will soon receive distribution of the Exxon oil overcharge moneys.

Are the Exxon funds distributed to States in the same manner as LIHEAP funds?

Ms. Ross. No, they are not distributed in the same manner. I think one thing that is important to keep in mind is that the Exxon funds were distributed according to the court order. The Department of Energy released those funds last Thursday, March 6, based on instructions from the court. LIHEAP funds are appropriated from the Congress. Furthermore, LIHEAP funds are distributed to the States based on the home energy costs of the low income population in each State. The basis used for distributing Exxon funds to the States is not the same as it is for LIHEAP.

Senator HAWKINS. In some instances, they are going to distribute it to charity, I read.

Ms. Ross. My understanding is that the Exxon funds go directly to the Governor in the State, and then the Governor has the discretion for determining how the funds will be expended.

I am not aware that any has gone directly to charity.

Senator HAWKINS. Once the States receive that Exxon overcharge money, are the States required to spend the money to serve low income poor facing an energy crisis right now?

Ms. Ross. I have not had an opportunity to review in detail the court order, but it is my understanding that since those funds are being paid to the States as restitution for oil overcharges that they are supposed to be used for energy needs.

Senator HAWKINS. Do you have any idea how the overcharge moneys were expended by the States in the past?

Ms. Ross. You are speaking of the Warner funds that were made available several years ago?

Senator HAWKINS. Yes.

Ms. Ross. We do have information that many States used the Warner funds for LIHEAP. In fact, States are continuing to expend Warner funds, because all the funds did not have to be spent in the first year.

Senator HAWKINS. CBO is telling us the required appropriation to maintain LIHEAP at current services can drop 10 percent next year because of energy market conditions. Do your analyses show that?

Ms. Ross. Our analysis is going to be updated in April because it is very difficult to project exactly what oil prices and other energy prices are going to be, as no one anticipated the sudden drop in oil prices that we are experiencing right now. Our current analysis shows that the appropriation could be somewhere between 2 to 9 percent lower to maintain current services for LIHEAP.

As I indicated, we will be updating that analysis based on new information in April, and at that time, we would be pleased to provide the updated estimates to the committee.

Senator HAWKINS. Where Warner amendment funds were used for energy assistance, can you tell us exactly what they were used for?

Ms. Ross. I cannot tell you the exact dollar amount of Warner funds used for a particular component, but I can tell you that the States that used them under LIHEAP were required to use the same accounting procedures we use for normal LIHEAP funds. Therefore, if they used the Warner funds for the LIHEAP Program, they had to use them for any of the options that are mentioned in the LIHEAP statute—for weatherization, for crisis assistance, or for the regular Energy Assistance Program.

Senator HAWKINS. Are your reporting requirements for PVE funds used in the program you administer the same as for the HHS Program funds?

Ms. Ross. Yes. Once a State decides they want to use the petroleum violation escrow funds for LIHEAP, we use exactly the same measures of accountability, with one exception. In the LIHEAP Program, we require States to let us know their scheduled expenditures so that we can make the funds available to them when they are needed. Since we do not give States the petroleum violation escrow funds, we do not require them to let us know when they are going to expend the funds.

Senator HAWKINS. What are the standards or the tests you apply to determine if a State's crisis assistance is of reasonable dimensions or will cover the required period?

Ms. Ross. For crisis assistance, as with all the other components of the program, we review the application and the plan that the State submits before the program funds are awarded. We look to

make sure that the State has described how the crisis program is going to work, that it meets the statutory criteria which, as you are well aware, were changed in HSRA—to require that all States have a crisis program, set aside a reasonable amount for that crisis program, and that they have an agency administering the program that has experience in administering energy crisis programs. Those are the things that we look for in the plan.

Beyond that, we also do compliance reviews. This year, we will be doing a desk compliance review of all States. We will be doing onsite reviews of 10 programs, some tribe's program, as we have done in the past. We take a more in depth look at all the components of the plan and program, including crisis, when we do a compliance review.

Senator HAWKINS. Have you promulgated regulations to avoid fraud and abuse as was required under section 2605(b) of the 1984 amendments?

Ms. Ross. We have worked on that, Madame Chairman because under HSRA, we are required to issue regulations to prevent fraud, waste and abuse. The regulations, we hope, will be issued shortly.

I can tell you that the approach we take in the regulations builds on our track record of allowing States flexibility, and uses the States' own system of controlling fraud, waste, and abuse. By that I mean in our current compliance review process, we look largely to the kinds of systems and mechanisms the State has in place for making sure duplicate payments are not made, payments are not made to ineligibles and so forth. We anticipate something similar in the regulations.

Senator HAWKINS. I have quite a few questions on this subject which I am very interested in. In the interest of time, I will submit some, but I would like to ask a few more.

How does HHS review the State plans?

Ms. Ross. There are two parts to the review, basically. The first is for completeness. That is to make sure that the Governor has certified that the program will be operated according to the assurances that are stated in the statute—that there is an accurate description of each of the assurances and how they will be carried out.

Beyond that, there is a compliance review when we look at the State plan to see if there are any problems. For example, for the crisis assistance part of the program, we would look to see if we anticipate there would be any problems. If we see something that we believe is a problem, we follow up with the State either through the compliance review or through contacting them and bringing the issue to their attention, in which cases most States make changes. But if we believe there is a persistent problem we do pursue it through compliance reviews or through the audit process.

Senator HAWKINS. How many compliance reviews did you conduct in 1984, 1985 and 1986?

Ms. Ross. We conducted 10 per year, a mixture of State and tribal reviews.

Senator HAWKINS. Did you find any problems that were not resolved to your satisfaction?

Ms. Ross. I am really pleased to say that so far, we have not found any State that was substantially out-of-compliance with the

law, or a State clearly doing something that is erroneous. We have identified some issues that we have dealt with through the audit process. I could give you examples of the kinds of things——

Senator HAWKINS. If you would, please.

Ms. Ross. Would you like me to submit them for the record, because we could submit them for the record——

Senator HAWKINS. Just tell us briefly and then submit them for the record, also.

Ms. Ross. The kinds of things that we found in the audit process were in some cases undocumented administrative costs, duplicate payments and payments that were made to ineligibles, incomplete documentation of eligibility factors, and so forth.

As of January 31, 1986, we have received audits from 37 States for fiscal year 1982, 14 of which are cleared, and audits from 32 States for fiscal year 1983, and I believe 7 of those are cleared.

We have sought repayment of funds for roughly $50,000 for those two fiscal years. That is just in the completed audits. We still have about $500,000 in question.

I can go into greater detail for the record. But as you can see, for a $2.1 billion program, the amount of repayment is really very small. We have had relatively few problems.

[Information supplied follows:]

Examples of the kinds of issues we have identified and resolved during compliance reviews are:

The State plan did not describe how the assurances were carried our for each of the program components, expecially weatherization. States have resolved this issue by submitting amendment to their plans.

The State did not offer fair hearings to applicants whose applications were not acted upon with reasonable promptness. States have resolved this issue by correcting their practice and or amending their plans.

Examples of the kinds of issues we have identified and resolved in reviewing audits are:

The State did not closely manage its drawdown of Federal funds to coincide with actual cash needs of its subrecipients. States have improved their drawdown procedures to provide better control of the cash management process.

The State did not document its files on applicant eligibility; the auditor questioned both procedures and costs. State have acted to improve documentation requirements or to correct lapses in the implementation of procedures.

The State's audit did not cover its subrecipient expenditures and certain LIHEAP program component expenditures, e.g., weatherization. States usually are in a position to provide this information.

The use of an internal auditor raised questions about the independence of the auditor. States worked with the Department of Health and Human Services Office of the Inspector General to correct the deficiencies.

The State did not set aside crisis funds. States have acted to comply with the statutory requirements.

Senator HAWKINS. To what extent are States restricting participation in crisis programs to certain groups within the eligible population?

Ms. Ross. I am not extremely familiar with all the requirements of all the different States' crisis programs, but I could certainly check and submit that for the record.

Senator HAWKINS. If you would and have an overview and give me your opinion on what is HHS' view on whether any such restrictions would raise a question of compliance with the law.

Ms. Ross. I would be happy to submit that for the record.

[Information supplied follows:]

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The only State we are aware of that restricts participation in its crisis program to certain groups within the eligible population is Florida. The State of Florida provides the following reasons for limiting its crisis assistance program to the elderly:

The State has a large elderly population;

The elderly are the most vulnerable to extremes of cold and heat;

The State does not get sufficient funds to broaden the scope of the crisis assistance program without severely restricting the heating assistance program.

The State is considering broadening the crisis program in FY 1987 but foresees problems that may make that impossible:

If the State expands the scope, it would have problems operating statewide because there are insufficient Community Action Agencies in the State, and the Aging Agencies which now serve the elderly would have problems servicing other groups;

Because available funds are now spread so thin, the State would not be able to provide any meaningful assistance if the scope of the crisis program were broadened to other groups beyond the elderly.

We find nothing to indicate that what the State is doing is inconsistent with the statute.

Senator HAWKINS. When do States begin making heating assistance payments?

Ms. Ross. Madam Chairman, that varies from State to State. Generally, the period is from October or November through about March. Some start a little later and some end a little earlier. But those are generally the months that are covered.

Senator HAWKINS. Have any States indicated such payments would begin as late as February?

Ms. Ross. I believe some did, Madam Chairman, as a matter of fact.

Senator HAWKINS. Could you give me that for the record?

Ms. Ross. I would be happy to provide that for the record.

[Information supplied follows:]

The table which follows indicates the duration of each State's fiscal year 1986 LIHEAP heating assistance program. The table is taken from the February 28, 1986, "Report on the Low Income Home Energy Assistance Program as Requested by the Senate Committee on Appropriations."

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Table 6-9b. LIHEAP heating assistance. Administering agency and duration, by state, fiscal year 1986

State	State Agency 1/	Local agency 2/	Dates Applicant Intake Startup	Applicant Intake Closing	Dates Payments Startup	Payments Closing
Alabama	SOEO/DCA	CAA	11/01/85	5/31/86	11/01/85	05/31/86
Alaska	DPW/DSS	Welfare office	11/01	6/30	11/01	07/01
Arizona	SOEO/DCA	Welfare office	1/01/86	12/31/86	01/21/86	01/20/87
Arkansas	DPW/DSS	CAA	1/02/86	3/31/86	01/02/86	05/30/86
California	SOEO/DCA		10/01/85	9/30/86	12/01/85	09/30/86
Colorado	DPW/DSS	Welfare Office	11/01	6/30		
Connecticut	DPW/DSS	Welfare Office/CAA	10/01/85	3/14/86	11/01/85	04/15/86
Delaware	SOEO/DCA	CAA	10/01/85	4/30/86	12/04/85	06/30/86
Dist. of Col.	SEO		11/01/85		11/01/85	
Florida	DPW/DSS	Welfare office	11/01/85	12/16/85	02/01/86	04/01/86
Georgia	DPW/DSS	Welfare office/CAA	11/01/85	4/01/86	12/01/85	
Hawaii	DPW/DSS	CAA	4/01/86	5/30/86	07/01/86	09/30/86
Idaho	SOEO/DCA	CAA	11/12/85	4/15/86	11/29/85	04/30/86
Illinois	SOEO/DCA	CAA	11/01	4/30	11/01	10/31
Indiana	DALS	CAA	9/16/85	1/31/86	01/01/86	04/30/86
Iowa	SEO	CAA	10/01	2/28	10/01	02/28
Kansas	DPW/DSS	Welfare office	12/04/85	3/31/86	12/17/85	04/22/86
Kentucky	DPW/DSS	Welfare office	10/01/85	12/01/85	10/01/85	01/01/86
Louisiana	DPW/DSS	CAA	10/01/85	3/31/86	01/01/86	04/30/86
Maine	SOEO/DCA	CAA	11/04/85	4/11/86	11/04/85	05/21/86
Maryland	DPW/DSS	Welfare office/CAA	9/30/85	3/31/86	11/23/85	05/15/86
Massachusetts	SOEO/DCA	CAA	10/15/85	4/15/86	10/15/85	04/30/85
Michigan	DPW/DSS	Welfare office/CAA	10/01	9/30	10/01	09/30
Minnesota	DES	Welfare office/CAA	10/01	5/31/80	10/01/80	05/31/80
Mississippi	SEO	CAA	1/01/85	8/01/86	12/01/85	08/01/86
Missouri	DPW/DSS	Welfare office	10/02/85	3/31/86	11/02/85	04/01/86
Montana	DPW/DSS	Welfare office/CAA	10/01	4/30	10/10	06/30
Nebraska	DPW/DSS	Welfare office	11/01/85	3/01/86	11/01/85	03/01/86
Nevada	DPW/DSS		11/01/85	2/28/86	12/31/85	07/31/86
New Hampshire	SOEO/DCA	CAA	11/04/85	4/30/86	11/04/85	04/30/86
New Jersey	DPW/SS	Welfare Office	11/01/85	6/30/86	11/04/85	09/30/86
New Mexico	DPW/DSS	Welfare office	10/15	3/31	12/01	04/01
New York	DPW/DSS	Welfare office/CAA	11/01/85			01/01/86
North Carolina	DPW/DSS	Welfare office/CAA	10/01/85	11/27/85	02/03/86	07/31/86
North Dakota	DPW/DSS	Welfare office	8/15/85	6/30/86	10/01/85	06/30/86
Ohio	SOEO/DCA		9/01	3/31	12/16	05/30
Oklahoma	DPW/DSS	Welfare office	12/02/85	1/26/86	12/31/86	05/01/62
Oregon	SOEO/DCA	CAA	11/15/85	2/28/86	12/01/85	02/28/86
Pennsylvania	DPW/DSS	Welfare office	10/01/85	3/31/86	11/01/85	01/01/86
Rhode Island	SOEO/DCA	CAA	10/21/85	5/20/86	12/04	05/20
South Carolina	SOEO/DCA	CAA	9/01/85	10/31/86	01/01/86	06/01/86
South Dakota	DPW/DSS	Welfare office/CAA	1/01		05/10	
Tennessee	DPW/DSS	CAA	8/01/85	4/01/86	10/01/85	04/01/86
Texas	DPW/DSS	Welfare office	1/15/86	2/28/86	02/12/86	03/31/86
Utah	DPW/DSS	Welfare office	10/15	4/30	11/19	09/30
Vermont	DPW/DSS	Welfare office	10/01/85	2/01/86	10/01/85	03/01/86
Virginia	DPW/DSS	Welfare office	11/01/85	2/28/86	11/01/85	04/15/86
Washington	SOEO/DCA	Welfare office/CAA	10/01/85	6/01/86	10/01/85	06/01/86
West Virginia	DPW/DSS	Welfare office/CAA	11/15/85		11/19/85	
Wisconsin	DPW/DSS	Welfare office/CAA	10/01	5/15	10/01	05/15
Wyoming	DPW/DSS	Welfare office	4/10		08/10	02/10

1/ Some states used more than one state agency to administer LIHEAP. Abbreviations are used as follows: DPW/DSS = Department of Public Welfare/Department of Social Services; SOEO/DCA = State Office of Economic Opportunity/Department of Community Affairs; SEO = State Energy Office; DES = Department of Economic Security; DALS = Department on Aging and Community Service.

2/ Some States used more than one local agency to administer LIHEAP. CAA = Community Action Agency.

Senator HAWKINS. There is some indication that this program may be eliminated from the budget. If the Department of Energy Low-Income Weatherization Assistance is eliminated, how will that slack be taken up, in your opinion?

Ms. Ross. Madam Chairman, one of the things that we have done in our reauthorization proposal is to request that the cap on weatherization be lifted entirely. Currently, there is a 15-percent cap on the amount of funds that can be expended for weatherization in LIHEAP. Since we would anticipate that a number of States, based on what they did with Warner funds, would use the Exxon funds for weatherization, we would like to eliminate that 15-percent cap so that the States could use Exxon funds for more extensive weatherization activities under LIHEAP.

Senator HAWKINS. This Senator feels the Exxon money should go to energy assistance since that is where it came from.

Do you have an opinion on that?

Ms. Ross. I believe the court order does say that it has to be used for energy-related programs. I can check that again and submit whatever information we do have.

Senator HAWKINS. If you would let me know, I would appreciate it.

Ms. Ross. Yes, we would be happy to.

[Information supplied follows:]

Under the Exxon decision, States must use the Exxon oil overcharge funds for one or more of five programs: LIHEAP, or the Department of Energy's Low-Income Weatherization Assistance Program, State Energy Conservation Program, Energy Extension Service, or "Schools and Hospitals" conservation improvement program. The court decision does not prescribe percentages to be used under each of these programs.

Senator HAWKINS. Do you know how many States have a cooling assistance component?

Ms. Ross. I believe 12 this fiscal year have a cooling assistance program, last year it was 9 and the year before it was 11. I could submit the history on that as well as the amount of funds expended. The 12 States that have cooling assistance programs this year estimate they are going to spend about $37 million for cooling assistance in fiscal year 1986. I could submit the 5-year history of those expenditures.

Senator HAWKINS. If you would, please. The other Senators are also busy this morning, but they have expressed a great deal of interest on this topic.

[Information supplied follows:]

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LIHEAP Cooling Assistance Programs

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
States with cooling programs	15	13	11	9	12*
Expenditures for cooling assistance	$51 M	$33 M	$32 M	$29 M	$37 M*

In addition, each year three or four States run combined heating and cooling assistance programs in which funds spent for cooling benefits are not separated from funds spent for heating benefits, and one State provides a benefit for "energy assistance."

* Estimate based on States' responses to Office of Family Assistance telephone survey of January 1986.

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Senator HAWKINS. I appreciate your willingness to be here today and also your expertise and knowledge. If you would submit for the record the answers to the questions I have posed we would appreciate it very much.

Ms. ROSS. Certainly. We would be pleased to.

Senator HAWKINS. Thank you so much.

Ms. ROSS. Thank you for having us here.

Senator HAWKINS. Thank you. It is a very important program, and we appreciate your participation.

[The prepared statement of Ms. Ross follows:]

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STATEMENT

BY

JO ANNE B. ROSS
ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE
SOCIAL SECURITY ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

SUBCOMMITTEE ON CHILDREN, FAMILY, DRUGS AND ALCOHOLISM

COMMITTEE ON LABOR AND HUMAN RESOURCES

U. S. SENATE

MARCH 13, 1986

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I am pleased to appear before you today to discuss the Low Income Home Energy Assistance Program. LIHEAP is in its fifth year of operation as a block grant program, and it's working exceedingly well.

States are doing a good job of using the flexibility provided them to develop programs which meet their needs. I'd like to take a moment to tell you a little bit about what States are doing with their LIHEAP funds. Most of the information comes from our latest telephone survey, covering FY 86.

In FY 86 States will use about two-thirds of their LIHEAP funds for heating assistance. About 7 million households will be served with heating assistance this year. The amount of benefits paid varies widely both among States and within States according to income, fuel costs and other factors. We estimate that the average LIHEAP heating assistance benefit will be about $200.

In addition, all States run some sort of crisis assistance and plan to spend a total of $196 million, or about 9 percent of their LIHEAP funds, for this activity, serving almost one million households.

In addition, 12 States expect to provide summer crisis or cooling assistance during FY 86. They expect to spend about $37 million for these activities.

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LIHEAP is also a major source of funds for weatherization. Under current law, States may use up to 15 percent of these funds for weatherization and energy-related home repair. In FY 86, 49 States will use over $200 million for this purpose. Since FY 82, States have used almost a billion dollars in LIHEAP funds for weatherization-related projects and have made improvements to 1.5 million dwelling units.

Finally, as you are aware, States may transfer up to 10 percent of their LIHEAP allotments to other Health and Human Services block grant programs. In FY 86, 30 States expect to transfer $91 million to other block grants, primarily Social Services. States also have the option of transferring funds from the Social Services and Community Services block grants into the LIHEAP program, but, to date, no State has exercised this option.

In short, LIHEAP serves many different kinds of individuals in a number of ways. This diversity is the key to the success of the program and has been made possible by the block grant approach. This approach has proven important in the area of energy assistance because the population needing assistance, weather conditions, program administration and even energy costs vary substantially from State to State.

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The block grant approach has proven highly successful in giving States the flexibility to respond to differing needs while maintaining sufficient Federal control to ensure effective use of program funds. Over the past four years, we have conducted on-site reviews of more than forty States' energy assistance programs. These reviews have demonstrated to us that States are using the flexibility given in a responsible manner.

Therefore, we are recommending that the Congress reauthorize the program, with minor refinements, for a three-year period. For FY 87, we are requesting a funding level of $2.1 billion for LIHEAP, the same level that we requested for FY 86. This level would also be authorized for fiscal years 1988 and 1989. This request reflects the President's commitment to continue to provide essential low-income energy assistance funding while meeting the Gramm-Rudman-Hollings deficit reduction targets. This funding level will provide sufficient resources to continue serving the more than seven million households that will get help with their energy bills from this program.

Under a three-year reauthorization of the LIHEAP block grant, States will have the flexibility to modify their programs as changing situations demand and will be able to institute plans for a three-year period.

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The program refinements we will recommend are aimed at giving States enhanced flexibility in designing their energy assistance programs. I would like to describe the major changes we will be proposing.

We will propose removing the current 15 percent limitation on the amount of energy assistance block grant funds that a State may use for low-cost weatherization and energy-related home repair. Establishing a balance between providing immediate help with energy bills through cash payments and investing in long-term improvements in energy efficiency is a fundamental decision in this program, and a decision we believe should be left to the States to make.

We will also propose to add language to the LIHEAP statute regarding coordination of LIHEAP with other public programs that provide help with energy costs. The statute currently requires States to pay the highest level of benefits to those households who have the highest energy costs and the lowest income for their family size. We propose to add receipt of other public assistance specifically for home energy costs as a third criterion which States must consider in setting LIHEAP benefits.

This change would improve the program in three ways. First, it would underscore the fact that LIHEAP is designed in large part to supplement other basic needs programs. There are a number of

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publicly funded energy assistance programs in existence, and we believe Federal policy should foster coordination among them.

Second, our proposal would help achieve more equity in the distribution of energy assistance benefits. For example, the Federal government pays two-thirds of the heating bill for many public housing tenants. If we add an average LIHEAP benefit to that amount, the Federal government has paid the entire bill, or in some cases more than the entire bill.

Third, this change would actually increase flexibility for many States. Under current law, a number of States have been thwarted by court action in their attempts to coordinate LIHEAP and other public energy assistance, particularly that provided by housing subsidy programs. This proposed change would provide those States with a firmer statutory base to achieve this needed coordination without imposing on them a specific Federally mandated method for accomplishing this objective.

Our reauthorization proposal also will propose two changes to the section of the statute on State application requirements. The Human Services Reauthorization Act of 1984 added four required assurances plus four additional plan requirements. Our experience with these changes over the past two years indicates that there has been some confusion about these requirements. Several of the

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assurances which States must now address in their plans are really descriptions of plan requirements and thus provide no new information. Several overlap, either with other assurances or with the plan requirements.

We propose to delete duplicative provisions and reorganize the assurances and plan requirements, without adding or deleting any substantive requirements now in law. This proposal would enhance public oversight of LIHEAP by encouraging more readable State plans. It would also simplify the preparation of plans by States and facilitate our review of these plans without detracting from their substantive content.

We also propose to delete the section which requires States to include in their annual applications estimates of energy use and average costs by fuel type and region of the State. We have found this provision to be burdensome to States and of little use at the Federal level because the data is not uniform and therefore not comparable among States. We rely on data collected by other Federal agencies for the statistical information we need. We believe it would be more cost-effective to continue this practice than it would be to impose uniform Federal statistical requirements on States.

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Our proposal would recognize in statute agreements made between States and Indian tribes relating to the set-aside of funds from State allotments for direct grants to tribes. This provision would recognize the importance of such agreements in achieving better coordination between State LIHEAP programs and the programs run by the 120 tribes and tribal organizations which receive direct LIHEAP funding.

This concludes my prepared statement. I will be glad to answer any questions you may have.

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Senator HAWKINS. Our next witness is Mr. J. William Gadsby, Associate Director of the Human Resources Division, U.S. General Accounting Office.

We welcome Mr. Horte and Mr. Posner who are with you, also.

We have your statement, Mr. Gadsby, and as I announced earlier, I have quite a few questions, and in the interest of time, we will include your complete statement in the record, and unless you have any additions to add onto this, it will be your statement today.

STATEMENT OF J. WILLIAM GADSBY, ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC, ACCOMPANIED BY PAUL POSNER AND RICHARD HORTE

Mr. GADSBY. No additions. That is fine.

Senator HAWKINS. All right.

Let me see if I can visualize how the program works. If I live in Florida and during the month of January have a sudden energy crisis in which the utility company threatens to cut off my heat, can I get help from the Low-Income Home Energy Assistance Program?

Mr. GADSBY. Yes, you could, Madam Chairman, under the crisis portion of the program. But that portion of the program is only for the elderly people in Florida, so it would apply only to people who were age 60 or older.

Senator HAWKINS. Is it limited to any months in Florida? I am told you can enroll in November and the first weeks in December, for LIHEAP Energy Assistance Program enrollment.

Mr. GADSBY. That is correct. That would be the regular heating and cooling portion of the LIHEAP Program, not the crisis assistance portion. There is a 6-week period running from November 1 through December 15, and that applies to both the heating and cooling components of the program.

Senator HAWKINS. So if we have an extremely hot month, and no one applied between November 1 and December 15, they are not eligible?

Mr. GADSBY. They would not be able to get assistance unless they had applied, or unless they were an elderly person over age 60.

Senator HAWKINS. So you are telling me that Florida's crisis program is limited to the poor elderly.

Mr. GADSBY. That is correct.

Senator HAWKINS. How do the working poor receive assistance under Florida LIHEAP?

Mr. GADSBY. Well, the working poor would be able to get assistance under the regular heating and cooling component of the program; that is the portion of the program that has a 6-week application period running from November 1 through December 15.

Senator HAWKINS. So they still have to apply during that period, or they cannot get money.

Mr. GADSBY. They would have to apply during that period.

Senator HAWKINS. Do they get the money immediately if they did apply?

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Mr. GADSBY. In Florida, they would not get their money immediately. Florida officials basically wait until most of the applications have been received and verified, and they also wait until they know just what their allotment is going to be. Then the State establishes the benefit payment levels for the program.

As we understand it, checks are usually sent out in Florida during the month of February, and we understand that this year, they will be sent out in the month of March.

Senator HAWKINS. Do the utilities just wait for this money? Do you know, or is that something I should pursue with someone else?

Mr. GADSBY. We do not know the answer to that, Madame Chairman.

Senator HAWKINS. All right. I will find out.

Is the 6-week enrollment period the only time anyone can apply for the entire winter?

Mr. GADSBY. Yes. That is the application period, and it applies both to the heating and to the cooling programs.

Senator HAWKINS. And to the cooling. Are there any other States to your knowledge that have such a restrictive enrollment period that you must enroll during a certain period?

Mr. GADSBY. We only have information on the 13 States that we contacted during our telephone surveys, and two of those 13 States did have relatively short application periods. Kentucky had an 8-week total time period for applying for benefits. The first 2 weeks were exclusively for the elderly population, and the remaining 6 weeks were for all households within the State. In Kentucky, they did have a crisis program, however, that was available to all households, during the months of January through April. Kentucky did not have a cooling program.

In Texas, there was a 5-week application period for the heating program, and there was a separate 5-week application period for the coooling program. In Texas there was also a crisis program, and that was available year-round to all households.

Senator HAWKINS. Is there any way at all that the working poor could recieve LIHEAP funding if we had an energy crisis—extremely hot, or extremely cold?

Mr. GADSBY. In the State of Florida, there would be one way, if the Governor were to declare a weather-related emergency. But in those circumstances, the availability of benefits would be restricted to situations where the individual's livelihood was affected by the emergency, and the individual had a personal energy crisis such as a threatened shutoff of power.

Senator HAWKINS. During your investigation, did you find out if the Governor ever declared a weather emergency for the entire State of Florida?

Mr. GADSBY. No, we did not. We do not know if there was ever one for the entire State.

Senator HAWKINS. We have had some for freezes for the citrus crop.

Mr. GADSBY. Yes, there have been some for freezes for citrus, and there have been some hurricane-related ones for selected areas, I believe.

Senator HAWKINS. But no weather.

Mr. GADSBY. Not for the entire State.

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Mr. Horte has an example of one emergency that took place in Franklin County.

Mr. HORTE. We know that last year, in Franklin County, they were struck by a hurricane, and that affected the seafood industry there. So the weather emergency was declared by the Governor for that area. For the LIHEAP Program, they could receive crisis assistance, if someone suffered a loss of income as a direct result of being affected by a hurricane in that industry; in other words, if they lost their job as a result of that, for example.

Under such circumstances, a person could get energy assistance from the LIHEAP Program as a part of the weather-related energy crisis.

Senator HAWKINS. So in Orange County where I live, if that was designated as a weather emergency because of the freeze impact on the citrus crop, someone whose job was dependent on the citrus industry, as you stated in Franklin County, would be eligible for crisis assistance in LIHEAP, but not a waitress who waits on tables, for instance, in an area that serves the citrus workers?

Mr. HORTE. That is correct. You would have to suffer an economic loss as a result of that emergency.

Senator HAWKINS. Well, they may, I mean, if they live on tips, and suddenly there is very little. I mean, I have gone out to that area——

Mr. HORTE. We are not totally familiar with that, but it may be that that would be discretionary judgment that would have to be made in the State.

Senator HAWKINS. So someone living in a neighboring county which was not designated as a weather emergency could not receive crisis funds?

Mr. GADSBY. Well, not necessarily. If they were in a neighboring county, and that was not the designated county, but their job was in the county that had been designated as a weather-emergency location, and their economic livelihood depended upon that job, then they could receive the low-income home energy assistance.

Senator HAWKINS. And they cannot receive assistance even in a designated county, unless they prove economic loss due to a weather emergency; right?

Mr. GADSBY. That is correct, unless again, you are over 60 years old, and then you could get assistance under the Crisis Program which is available for the elderly. And that is available whether or not there is a weather emergency.

Senator HAWKINS. Is this true throughout the Nation?

Mr. GADSBY. We really do not know whether it is true for the entire Nation. Again, we only contacted 13 States. But none of the other States that we contacted restricted eligibility for the crisis program to specific population subgroups such as the elderly.

Senator HAWKINS. If the freezing poor in Florida are lucky to meet our requirements for LIHEAP assistance, is there any requirement that the funds they receive be spent on fuel or that they pay their utility bill with the money?

Mr. GADSBY. No, there is not. As we understand the program, Florida pays cash benefits directly to individuals. Florida was the only State that we contacted that did provide cash payments to all recipients.

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In contrast, the other States basically used either vendor payments, payments going directly to the vendors that supply the energy, or two-party checks which would be signed by the recipient of the assistance and the vendor supplying the energy—or some combination of those two.

Senator HAWKINS. Fine. I am told that the States that have the vendor arrangement can negotiate with the utility for moratoriums during winter months, that it works out a little better because you are talking about more than one person.

Is this your experience in your phone survey?

Mr. GADSBY. I am not familiar with that—Dick, are you?

Mr. HORTE. We have heard some States refer to that. We have not collected that information from all States, but some have mentioned that it does help to guarantee service deliveries and to prevent shutoffs.

Senator HAWKINS. Having been a public service commissioner in Florida and understanding the need to pay the bill within a certain timeframe or there are penalties, I am concerned about the lateness of the payments in Florida, of getting it in March. I am concerned about the restrictive application period—early, before it even gets cold, in many instances, December 15; sometimes it is not cold by then, and certainly, it is not hot by then—and the limitation of the crisis program to the elderly.

Are all of those the norm for the Nation, the way they administer it?

Mr. GADSBY. Again, it would be difficult for us to compare with the Nation. We can draw some contrasts with the other 12 States that we did contact.

With respect to the lateness of payments issue, again, Florida does usually make their payment, as we understand it, in February, and now in 1986, they are going to be making payments in March.

They do wait until they receive most of the applications, verify the information, and wait until they know the total funding for the program. Then they compute the benefits. The officials we talked to in Florida said basically that this assures that all the people who are eligible applicants will in fact receive some benefits.

As far as the other States, what we found is that most begin payments as applications are received, and they basically predetermine the benefit levels at which they are going to pay out moneys.

Of the other 12 States, Texas also had a program which began making payments in February, but the other 11 States actually began payments between October and December.

With respect to your concerns on the restricted application period, again, Florida did have that 6-week period. Most other States have longer periods, running 4 to 5 months. Two States had the relatively short periods that I mentioned earlier—that was Kentucky and Texas.

In terms of limitations on the crisis program, Florida's was for the elderly only. Florida officials say that this is a new program for them and they want to concentrate the limited funds available on the more vulnerable population. Looking at the other 12 States that we have contacted, we are not aware of any similar restrictions.

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Senator HAWKINS. And also, the individual is left on his own to negotiate with the utility company when they get the payment in March.

Mr. GADSBY. That is true.

Senator HAWKINS. What types of payment methods are States using?

Mr. GADSBY. In the 13 States that we contacted, Florida was using cash benefit payments, and the other States were generally using either the two-party checks, which had to be signed by the recipient of assistance and the vendor, or they were making payments directly to the vendor for supplying the energy assistance. Those two methods, the noncash methods, were either used separately or in combination with one another. Dick, do you have some statistics or an example on one State or two?

Mr. HORTE. I have got some statistics on the States that we had. Eight of them did use vendor payments of the 13 we looked at.

Senator HAWKINS. Eight used vendors, which gives you more clout.

Mr. HORTE. Four States used what they call a two-party check.

Senator HAWKINS. Two parties, so you are sure that it pays the bill.

Mr. HORTE. Right; it is either made out with the vendor's name on it, or it may be undesignated.

The States all used cash to some extent. The vendor payment was the primary form of payment, but sometimes you cannot use a vendor arrangement. If heat is included in the rent, obviously it is not practical. In some cases, they may not be able to negotiate a vendor arrangement. In some States like Vermont, where there is a lot of heating with wood, it is very difficult to arrange payments through vendors in that case. There are a lot of local suppliers, so they use cash payments for those cases.

Senator HAWKINS. Do you have any examples of what States are doing to provide that the highest level of assistance be furnished to the households with the lowest income and the highest energy costs in relation to their income?

Mr. GADSBY. Yes, we do, Madam Chairman.

Mr. Horte has a few examples.

Senator HAWKINS. Mr. Horte?

Mr. HORTE. Madam Chairman, all the States use what they call the "benefit matrix", which provides a number of ways in which you can determine payment levels.

All but one of the States we had actually vary the payment based on income and household size. New York was the only State that did not use that as a criterion.

They also use, in order to try to target the money on the basis of energy cost, three other factors: fuel type, region within the State or climate zone, as well as the type of housing.

Eight of our States did have payments that varied by climate zone; six, by fuel type; and two, by housing type.

Senator HAWKINS. Is there any data available to track the effects of the 1984 eligibility changes?

Mr. GADSBY. There are some problems in this area, and Mr. Posner would have some further details on that.

Senator HAWKINS. Mr. Posner, can you help us?

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Mr. POSNER. Yes. The States are not generally required to separately identify income-eligibles in their reports to HHS, and furthermore, the reports do not permit you to classify households by poverty level, but primarily by income level.

In the 13 States we contacted, some of the States do keep the information on the numbers of participants who are income-eligible only, that is, those participants who are not receiving SSI, food stamps, AFDC, or veterans' payments. Florida, for example, kept that information and found 19 percent of the total households served were in the income-eligible-only category.

Others, however, did not appear to keep this data separately. California and several other States lumped together the income-eligibles with food stamp recipients so you could not get a separate count of the number of income-eligible-only participants.

Senator HAWKINS. And I noted that you recommended that only a few changes are needed in the State eligibility process.

Mr. GADSBY. That is correct, Madam Chairman, in our statement that we did submit for the record, we noted that in terms of complying with the 1984 amendments, there were very few States that needed to make changes in the eligibility area or in their crisis programs.

Senator HAWKINS. All right. Thank you very much for your participation.

Mr. GADSBY. Thank you, Madame Chairman.

Senator HAWKINS. It will help us in reauthorizing this program and making sure it is both fair and working.

[The prepared statement of Mr. Gadsby follows:]

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United States General Accounting Office

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STATEMENT OF

J. WILLIAM GADSBY, ASSOCIATE DIRECTOR

HUMAN RESOURCES DIVISION

BEFORE THE

SUBCOMMITTEE ON

CHILDREN, FAMILY, DRUGS, AND ALCOHOLISM

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

ON THE

LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

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Madam Chairman, and members of the Subcommittee:

I am pleased to be here today to discuss the impact that the 1984 amendments to the Low Income Home Energy Assistance block grant are having on three aspects of the program: funding, eligibility policies, and crisis assistance. GAO has just completed telephone surveys to the 13 states that were included in our previous review of this program: California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington. These states include a diverse cross-section of the country and accounted for about 46 percent of this program's appropriation in 1985 and about 49 percent of the nation's low income households. We also obtained data from HHS on funding and program characteristics which it had obtained from the 13 states.

ALLOTMENT CHANGES ARE BEGINNING TO AFFECT SPENDING PATTERNS

The 1984 amendments which changed the allocation formula, as well as the administrative expense and carryover provisions began to influence state spending patterns in fiscal year 1986.

The most significant change relates to the allocation formula. Seven of the 13 states received 1986 allotments that were about 5 percent lower than 1985 levels, while six states received allotments up to 10 percent higher. Of the seven states receiving lower allotments, only Massachusetts reported receiving state funding. However, Massachusetts has been supplementing the program for several years.

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Overall, the heating and crisis assistance components are, for the most part, at the same or higher funding levels than previous years, accounting for 65 percent and 12 percent, respectively, of 1986 estimated expenditures in the 13 states. However, 3 of the 7 states with lower allotments said that benefit levels or recipients served would be reduced for their heating programs. An additional state said it had reduced its set aside for crisis by about 5 percent.

Planned expenditures for administration in 1986 are higher than 1985 in 9 of the 13 states reflecting a continuing upward trend. Decreases are expected in 3 of the 13 states where 1985 administrative costs were already at or near the Federal ceiling. These decreases were caused by reduced allotments as well as the 1984 amendments which narrowed the base for computing allowable administrative costs. Colorado officials commented that a 12 percent decrease in the amount reserved for administrative costs was expected to result in staff reductions at local offices and delays in processing applications.

In contrast, the 13 states are anticipating an overall funding decline of 22 percent in 1986 within the weatherization component ranging from 4 percent in Massachusetts to 59 percent in New York. In total, 8 of the 13 states reduced weatherization funding with six of these states coming from the seven that received lower allotments in 1986.

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All but 1 of the 9 states that had previously transferred funds to other programs continued such transfers at the same rate. These state decisions were generally made at levels above the program office. Most often, transfers were made to the social services block grant which several states said incurred funding reductions. Only New York reduced its rate of transfers and this was due to the cut in its allotment.

As a result of the 1984 amendments, states can now carryover only 15 percent of their allotment net of transfers instead of 25 percent of their total allotment. This change had little effect on states. Overall, funds carried over to 1986 averaged about 4 percent of the 13 states' total 1985 allotment. Only Colorado had carryover funds above the new limit and, as a result, had to return about $252,000 to HHS.

An additional funding factor this year is the Gramm-Rudman-Hollings budget reductions. Although total program funding for 1986 was cut by 4.3 percent, these reductions were not allocated proportionally to all states. Rather, HHS reduced total program funding by the required percentage and then allocated funds among the states using the program formula. The result was that cuts in state allocations nationwide ranged from zero in states already at the funding hold harmless level, to as high as 11 percent in other states. The practical effect of this approach was to offset the increases states were to receive under the new formula.

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In late February 1986, HHS notified the states of their current allotments. Six of the states we contacted received reduced allotments. Program officials provided us the following comments on how the cuts would affect their programs.

-- In Florida, most of the reduction would come from its combined heating/cooling component. Benefit payments had not yet been made in this component and this action would reduce payments.

-- Texas operates a year-round program and was not planning to decide how to allocate its cut until May.

-- In Kentucky, reductions would largely come from the weatherization program. Its heating program benefits had already been paid.

-- California was anticipating cuts across all of its program components.

-- Michigan's expected reductions would be made in its heating and weatherization programs.

-- Mississippi runs a year-round program and is anticipating that the cuts will require terminating benefits in all program components by the end of March.

FEW CHANGES NEEDED IN STATE ELIGIBILITY POLICIES

The 1984 amendments prohibited states from setting eligibility limits lower than 110 percent of the poverty level, and excluding income eligible households from receiving assistance.

Eight of the 13 states were already operating programs that complied with the 1984 eligibility changes. However, four states (Florida, Kentucky, Michigan, and Texas) had to raise their eligibility ceilings and two states (California and Texas) had to include income eligible households in their program.

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These states generally expected an increase in the participation of income eligible households and the working poor. However, the extent to which these expected increases within each state will actually occur may be difficult to track since data being reported by states to HHS does not separately identify the extent of participation by income eligible households. Further, state reported data does not classify participating households by poverty levels.

FEW CHANGES NEEDED IN THE CRISIS PROGRAM

Similar to the eligibility area, most states did not have to change the operation and duration of their crisis program to comply with the 1984 amendments. All of the 13 states said that they were in compliance with the requirement that they identify the amount of funds available for energy crisis intervention and ensure their availability for crisis assistance until March 15 of their program year.

The amendments also broadend the definition of "energy crisis intervention" to include household energy related emergencies beyond weather and supply shortages. Only two states (Kentucky and Florida) reported making changes to their definition of crisis intervention to comply with the 1984 amendments. Officials in the other 11 states said their programs already met the broadened definition.

In addition, the 1984 amendments contained a new provision requiring that crisis assistance programs be administered by public or non-profit organizations which already had experience in administering crisis programs and in assisting low income

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families, and had the capacity to administer a timely and effective program. Only one state (Kentucky) changed the local administering agency used in the crisis program subsequent to the 1984 amendments, from welfare offices to community action agencies. Another state (Florida) established a new program under its expanded definition of crisis targeted to the elderly and designated the Area Agency on Aging as the local administering agency. Six states continue to use their local welfare offices to administer the crisis program because they believe these offices have the necessary experience.

Madam Chairman, this concludes my statement. I would be pleased to respond to any questions.

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Senator HAWKINS. Our third panel consists of people who are on the firing line, who are out there, and see on a daily basis how the Low-Income Energy Assistance Program helps those who are in need.

First will be Shirley Marcus, chairperson, National Energy Assistance Directors' Association. She is also director of a program I am a great admirer of, the Maryland Energy Assistance Program.

Next is Ms. Diane Kelley, director of Tribal Services for the Cherokee Nation of Oklahoma.

And last to appear is Robert Hatheway, president of New England Community Action Program Association, the Low-Income Planning Agency in South Windsor, CT.

I know Senator Dodd wanted to be here to welcome Mr. Hatheway.

STATEMENT OF SHIRLEY E. MARCUS, CHAIRPERSON, NATIONAL ENERGY ASSISTANCE DIRECTORS' ASSOCIATION, BALTIMORE, MD, AND DIRECTOR, MARYLAND ENERGY ASSISTANCE PROGRAM; S. DIANE KELLEY, DEPARTMENT DIRECTOR, TRIBAL SERVICES, EMPLOYMENT AND TRAINING DEPARTMENT, CHEROKEE NATION OF OKLAHOMA, TAHLEQU'AH, OK, AND ROBERT HATHEWAY, PRESIDENT, NEW ENGLAND COMMUNITY ACTION PROGRAM ASSOCIATION, LOW-INCOME PLANNING AGENCY, SOUTH WINDSOR, CT

Senator HAWKINS. Ms. Marcus, I know you realize that my staff toured the Community Action Agency in Baltimore, including your Low-Income Energy Assistance Office, and the Weatherization Program. They came back so impressed with Maryland's program that I am sure it is going to have a lot to do with the reauthorization of this program to make it more workable for other States. You really do have a beautiful model program, Ms. Marcus.

As I have stated, your statements will be entered in the record in full, and I would like to ask some questions.

First, Ms. Marcus, how do you address the problem of keeping money in reserve for crisis administration?

Ms. MARCUS. The crisis program in Maryland is an integral part of our regular heating program. We have a 26-week heating program, and the crisis program runs 20 weeks of that period. So that indeed, it is a part of, and it is not a separate program as such. So anyone that comes in, and they are indeed in crisis at the time of application, will receive assistance through our program.

Senator HAWKINS. I listen to your ads on the radio and have seen some of the posters you use in reaching the working poor who are outside the welfare program. Is that program effective?

Ms. MARCUS. It is very effective. Last year, when we did some analysis, specifically in the Prince Georges and Montgomery County areas, we saw where there was at least a 100-percent increase over the prior year in terms of intake for the last 4 weeks of the program.

Senator HAWKINS. 100 percent?

Ms. MARCUS. So it is very, very effective.

Senator HAWKINS. Did it strain your ability to provide assistance to all that applied?

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Ms. MARCUS. No, it did not.

Senator HAWKINS. Interesting.

Ms. MARCUS. We would like to be able to do more of that, if we could.

Senator HAWKINS. That is very interesting. Tell me how you plan to handle the Gramm-Rudman impact.

Ms. MARCUS. Unfortunately, in our State, we had to absorb an 11.7-percent reduction in funds, which translated into $4.3 million.

The Governor made a commitment not to close the program early. So in order for us to continue accepting applications, we had to reduce the amount of funds that we would have normally directed to the Weatherization Assistance Program.

So essentially, we are cutting down on the number of units that we can weatherize in that program.

Senator HAWKINS. Can you give me any comments on the impact of the proposed Food and Nutrition Service policies of counting LIHEAP vendor payments in figuring deductions from gross income, and of prohibiting LIHEAP recipients from using the standard utility allowance if it had been allowed to go through?

Ms. MARCUS. In the State of Maryland we have done some analysis which seems to suggest that approximately 27,000 low-income families would be affected. We are talking about approximately $1.5 million in benefits, so it will have a severe effect on the families in our State.

Senator HAWKINS. We may be considering proposals to further clarify the intent of the LIHEAP Act on income disregards. Do you feel the language of the farm bill, which permits States to use a lower standard utility allowance for a LIHEAP recipient and requires a recipient to have out-of-pocket costs to use any standard allowance is adequate protection?

Ms. MARCUS. If I understand the language in the bill, States have the option. They can choose to use a separate allowance, or they can use the same standard utility allowance for all applicants. So I think it is reasonable, yes.

Senator HAWKINS. Does your association review State programs in detail, and do you have any opinion as to whether all States have fully complied with the act as amended?

Ms. MARCUS. No, our association does not review State plans. We do not have staff for that function.

Senator HAWKINS. Do you feel HHS offers adequate guidance in the preparation and submission of State plans?

Ms. MARCUS. The Energy Assistance Program is a block grant, and as such, HHS has limited enforcement powers in the program. I think their review of State plans provides States with some guidance in terms of areas in which they need to perhaps make improvements. I think that is an area that we could perhaps strengthen, quite frankly.

Senator HAWKINS. Do you expect LIHEAP activities to benefit greatly from the availability of Exxon funds?

Ms. MARCUS. I think that varies from State to State. In our State, when we had Warner funds, the Energy Assistance Program actually received less than 10 percent of those funds because of the very strong commitment to the Weatherization Program. So I think it just varies around the country.

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Senator HAWKINS. What are Maryland's plans?

Ms. MARCUS. In Maryland we have what is called an oil overcharge restitution trust fund board. That board, which is headed by our comptroller, will convene public hearings commencing April 15, and attempt to obtain feedback from the community in terms of how the funds could best be spent, and then recommendations will be made to the Governor, who will make the final decision.

Senator HAWKINS. Does the timing of that award from HHS cause any problems with regard to delays in assistance being available?

Ms. MARCUS. Are you talking about the grant award?

Senator HAWKINS. Yes.

Ms. MARCUS. We start our program the first of October. Generally, the grant award is received toward the end of October, so that we really start to issue payments around the first or second week in November.

We have not experienced any delays because of grant awards.

Senator HAWKINS. Senator Dodd has joined us, and I welcome him at this time.

Senator DODD. Thank you, Madam Chairman.

I would ask unanimous consent to be able to insert in the record a statement.

Senator HAWKINS. Certainly.

Senator DODD. I am delighted to welcome our witnesses, and am thankful to you, Madam Chairman, for including among them Mr. Hatheway, from South Windsor, CT, whom I am going to have a chance later in the day to spend a little time with, as well, and talk about the program.

You may have covered this before I walked in, and if you have, just say so, and we will go on. The drop in energy prices, obviously, is something that we all—it is the "Good news, bad news". Obviously, it is good news for consumers and small businesses and so forth. We realize that there are other implications to the drop in energy prices, that may create some problems for us in other areas.

But I wonder if you might have any assessment. A lot of people are saying, "Well, those prices have gone down. They went down last fall. They will continue to go down. Why don't we see more of a reflection of this drop back at the retail level, if you will, the wholesale level of the States?"

If you have already addressed that, fine; if you have not, I would be curious just to know what your investigations have turned up. I presume you have asked the same question I have.

Ms. MARCUS. Well, I think the fact of the matter is there has been a decrease in energy prices, but that decrease has not trickled down to consumers, and especially low-income consumers. As we look at prices, for example, of oil in Baltimore City, there really has not been that much of a drop, even though it is $13.50 a barrel.

Senator DODD. What is the explanation given for that?

Ms. MARCUS. The interest on the part of oil companies to retain a certain level of profit.

Mr. HATHEWAY. If I can, Senator, in Connecticut, as I am sure you are well aware, the average prices right now for home heating oil are between 88 and 99 cents.

Senator DODD. What is it running?

Mr. HATHEWAY. Eighty-eight to ninety-nine cents.

One of the problems is that while this year has been relatively mild as you looked at the entire year, the early part of the year was where we faced the greatest need in terms of heating oil, in the Northeast, anyhow, because it was very cold at the beginning of the year, and that was when the prices were at the highest level.

I believe HHS testified earlier that there was almost no change in prices between December of last year and December of 1985, which obviously is when we were having the greatest problem. I do not think you will see a drop.

The other major item as it relates to the heating, is that we only pay about 20 percent of the total heating bill, so there is not going to be any kind of an impact in terms of the LIHEAP payments.

Senator DODD. Ms. Kelley, do you have a comment on this?

Ms. KELLEY. No.

Senator DODD. One other area, if I can. I presume you heard the administration testify early this morning that it is requesting a little over $2 billion for the Low-Income Home Energy Assistance Program in 1987, and that this amount will serve the same number of households that are currently served, just over 7 million in the country, apparently. These funds in your State and in our State of Connecticut, Mr. Hatheway, and in Maryland, are they adequate, and are families not being served that should be, and how large a group is that if there is such a problem?

Ms. MARCUS. In Maryland there are approximately 247,000 low-income families who are potentially eligible for this program. We project a service population of about 96,000 this year. So clearly, there are many, many more families eligible than we are able to serve. And we try each year to do more in the way of outreach to serve more of these families.

Mr. HATHEWAY. I think that is fairly true for most of the States in the Northeast including Connecticut, and we make every effort, but there is no way we are reaching all of those who could potentially be eligible for the payments.

One of the interesting things that I found fascinating listening to the HHS people earlier, they talked about 17 million as eligible. At the House hearing last week or the week before, they talked about 14 million as eligible. That is 3 million people that we have all of a sudden picked up, apparently, in a week or a week and a half. That is rather staggering, if HHS is the one providing the figures. I do not think we are serving anywhere near the full impact of those people that we could.

Senator DODD. How do they survey? What is the basis for their data?

Mr. HATHEWAY. I do not know what the basis of their data was; I really do not.

Senator DODD. Were you ever contacted, or were you ever contacted, Ms. Marcus or Ms. Kelley?

Ms. KELLEY. The data that we use is the census data. And the Indian programs receive eight-tenths of 1 percent of the average, which totals out to be around $16,326,129 for 122 Indian tribes nationwide. And based on that amount of funding that we receive, two-thirds are below the 50,000 mark for the Indian tribes in re-

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ceiving their allocation, which is very low as far as administration for Indian tribes.

Senator DODD. Have you been contacted at all by HHS in determining the number of people who might need this assistance at all?

Ms. MARCUS. No, I have not. We also use the census data which is, of course, outdated, but that is the best that we have.

Senator Hatheway?

Mr. HATHEWAY. We have not been contacted.

Senator DODD. Again, thank you for being here today, and we will take your comments into consideration.

Thank you, Madam Chairman.

Senator HAWKINS. Let me ask just a question or two.

The national average is that only one-third of those eligible actually apply for and receive low-income assistance. Is that true in the Indian tribes?

Ms. KELLEY. Everyone comes into the tribal agency and applies for LIHEAP whenever we start this up in the fall, whether they are 22 years old up to 60 or 70 years of age. And we are only able to serve a certain amount of people who come in for the service, because of the fact that we only receive a certain amount of money; we have to start limiting that to the 55 and older, or the handicapped. Through our crisis intervention, we are able to serve those people below the 55-year mark. And this is different with each tribal agency, based on the amount of money that they receive.

Senator HAWKINS. Senator Nickles wanted to be here when you were here. We have sent for him, but he is in another hearing.

Administrative funds are supposed to come from non-Federal sources. Does an Indian tribe have a lot of non-Federal sources to draw from?

Ms. KELLEY. Very few tribes have non-Federal sources to draw upon. I think a lot of it has to do with the fact that a lot of our tribal organizations are very small in nature.

One of the things that we have done, as well as some of the other tribes, is we developed linkages among our own programs, our own Federal programs, especially with weatherization programs.

Senator HAWKINS. Let me ask a question of Mr. Hatheway.

Because of the formula change for the allocation of LIHEAP funds to the States, your State had to adjust to lower funding for Low-Income Energy Assistance Programs.

Could you give us any advice for States like Florida which are trying to adjust to Gramm-Rudman cuts on how to absorb these cuts with the least amount of disruption to those in need of assistance?

Mr. HATHEWAY. I think it is very difficult to adjust to cuts. Obviously, what has happened in the New England States—and I will speak from a New England perspective now, because I think it is true of most of the New England States—there are a couple of ways you can go that at least reduce slightly the impact of the cuts. One is to reduce the benefit levels to those people that you are providing the money to so that at least there is some assistance to the people that you are serving. The other thing—and it is something that we do in an oil State—is to allow agencies to go out to

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bid. I mean, one of the things that can happen is you can at least negotiate with a vendor because of vendor payments; you can negotiate with a vendor a slightly better deal, potentially, by going up to a lot of them and asking them to submit bids.

One of the things that I think is unique in terms of Florida with the elderly population, and I just want to mention—one of the things that historically happens is the elderly themselves will avoid trying to get a utility shut off. I mean, they will make every effort. No matter where you go, if you look at national surveys, the elderly do not ask for the assistance if there is any way possible. They will go without food in order to pay the utility bill.

One of the difficulties in Florida if you look at it nationally—and I am not sure exactly where they stand—but the Florida Power Co. has one of the highest rates of shutoffs of all utility companies in the United States. They may even be the highest. And even under the crisis program in Florida, I know that you cannot even participate without that utility shutoff notice. So it really creates a more difficult problem when you are dealing with the obvious attitude of the elderly that would not like to look for aid, and then when you have a crisis program which requires a shutoff notice of any kind.

Senator HAWKINS. I agree with you 100 percent.

How do Connecticut agencies handle crisis assistance so it is available promptly?

Mr. HATHEWAY. What we do, and I think it is fairly standard across all of the States—Massachusetts and Connecticut clearly have very strong crisis programs. The person comes in, as in Connecticut, let us say, and they apply for emergency assistance. We respond virtually within less than 24 hours as a Community Action Agency, to get them whatever they need. We do not even require an absolute determination of eligibility, and the State understands that as we come through, because we are dealing with situations where you have to be able to respond within 24 hours. You are dealing in the most part in crisis with elderly or with people who have small children, where it is essential that they get it.

We had one up in Vermont—in New England, where they have very cold winters, we had an instance where this person had a heart attack. He had worked his entire life, had a heart attack, and his six kids and his wife were home, and an outreach worker from one of the CAP agencies happened to be going through there and found his family. The family had no wood and their pipes had frozen. The Community Action Program is one of the few that did not run the energy program or the weatherization program; that Community Action Agency dipped into its own moneys, got the wood out there instantly and fixed the pipes.

I think that is very common in Connecticut and in Massachusetts that the CAP agencies respond as quickly as is humanly possibly, and I think for the most part the crisis is less than a 24-hour response period.

Senator HAWKINS. You are really to be commended. That is a fantastic program.

Senator Kerry, did you have a statement?

Senator KERRY. Thank you, Madam Chairman.

Senator Dodd and I both have to be at an 11 a.m. meeting, so I am not going to ask questions at this moment in time. I would like

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to ask unanimous agreement that my statement be placed in the record.

Senator HAWKINS. Surely.

Senator KERRY. I would like to ask, however, for a couple of questions to be answered in writing. One addresses the issue of the LIHEAP funding being considered against the authorization for other expenditures under the Federal Government. We are specifically mandating under S. 2081 that the LIHEAP benefits and determination of family eligibility for food stamp assistance, et cetera, in other words, not be counted. I would just like to have some documentation about the kind of problem that that presents for the record.

Also for the record, I would like to state that I am opposed—and I missed the administration panel—but I am opposed to the 90 percent LIHEAP allocation in the first two Federal fiscal quarters. In a State like Massachusetts, a 10-percent reduction during that period of time means a serious delay in services to over 16,000 households. And given the obvious, already high demand of other expenditures for these families for rent or food, measured against heat, and those are the months when it most counts, I just think that is wrong. And I wrote a letter to Otis Bowen, requesting a waiver of that, and I hope we can get that waiver, and I hope that will be acted on very quickly.

So without further statement, Madam Chairman, I would like to just keep the record open so a few questions could be submitted in writing.

Senator HAWKINS. The record will be kept open. Several Senators indicated they would be here who have not made it today, including Senator Nickles.

I submitted many, many questions to you that I did not ask. The Senators having questions may do so as well.

Senator KERRY. Thank you, Madam Chairman.

Senator HAWKINS. At this point we will include in the record additional statements and material submitted to the committee in regards to this hearing.

[The prepared statements of Ms. Marcus, Mr. Hatheway, Ms. Kelley, and additional material supplied for the record follow:]

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[redacted]

HARRY HUGHES
Governor

TELEPHONE

Office of the Secretary
RUTH MASSINGA
Secretary
JAMES TRAGLIA
Deputy Secretary

TESTIMONY

OF

SHIRLEY MARCUS, DIRECTOR

MARYLAND ENERGY ASSISTANCE PROGRAM

AND

CHAIRPERSON,

NATIONAL ENERGY ASSISTANCE DIRECTORS ASSOCIATION

REAUTHORIZATION OF THE

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

March 13, 1986

Submitted to the
Senate Labor and Human Resources
Subcommittee on Children, Family,
Drugs and Alcoholism

1100 North Eutaw Street Baltimore, Maryland 21201 TTY: 383-6994

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REAUTHORIZATION OF THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

I WOULD LIKE TO THANK MADAME CHAIRMAN HAWKINS AS WELL AS THE OTHER MEMBERS OF THE SUBCOMMITTEE FOR ALLOWING ME THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY IN ORDER TO EXPRESS MY SUPPORT FOR THE REAUTHORIZATION OF THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM(LIHEAP). SINCE THE PROGRAM'S ORIGINAL PASSAGE IN 1981 (TITLE XXVI OF PL 97-35, THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981) AND ITS SUBSEQUENT REAUTHORIZATION IN 1984 (TITLE VI OF THE HUMAN SERVICES REAUTHORIZATION ACT OF 1984, PL 98-558), LIHEAP HAS PROVIDED OVER $12 BILLION IN CRUCIAL ENERGY ASSISTANCE TO MILLIONS OF LOW INCOME FAMILIES SO THAT THEY MAY OFFSET HOME ENERGY COSTS. WITHOUT THESE FUNDS, POOR FAMILIES MIGHT OTHERWISE HAVE TO MAKE THE DIFFICULT DECISION OF EITHER HEATING OR EATING.

MY NAME IS SHIRLEY MARCUS, AND I AM DIRECTOR OF THE MARYLAND ENERGY ASSISTANCE PROGRAM (MEAP) AND CHAIRPERSON OF THE NATIONAL ENERGY ASSISTANCE DIRECTORS ASSOCIATION (NEADA). THE MISSION OF THE MARYLAND ENERGY ASSISTANCE PROGRAM IS TO REDUCE THE DISPARITY THAT EXISTS BETWEEN THE PERCENTAGE THAT LOW INCOME FAMILIES PAY FOR HOME HEATING COSTS VERSUS THAT OF THEIR MEDIAN INCOME COUNTERPARTS. THIS IS ACCOMPLISHED BY PROVIDING MONETARY GRANTS TO ELIGIBLE HOUSEHOLDS DURING THE WINTER MONTHS. THE PURPOSE OF NEADA IS TO SERVE AS THE NUCLEUS OF STATE GOVERNMENT FOR THE IDENTIFICATION OF ENERGY RELATED CONSTRAINTS CONFRONTING THE LOW INCOME CITIZENS AMONG MEMBER STATES. THIS IS ACHIEVED THROUGH COORDINATING, COLLECTING AND DISSEMINATING INFORMATION, PROPOSING ENERGY POLICY, PROVIDING PROGRAM ADMINISTRATIVE ADVICE, AND

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ANALYZING PROGRAMS AND BENEFITS AMONG BOTH PUBLIC AND PRIVATE INSTITUTIONS, THEREBY ENHANCING EACH STATE'S CAPABILITY TO RESPOND TO THE INDIVIDUAL NEEDS OF OUR CLIENTS.

SINCE THE CREATION OF THE PROGRAM, STATES HAVE MADE TREMENDOUS STRIDES IN MEETING THE NEEDS OF THEIR ELIGIBLE POPULATIONS. IN THE STATE OF MARYLAND, THE PROGRAM HAS GROWN FROM REACHING 64,118 HOUSEHOLDS IN 1981 TO THE EXPECTATION OF SERVING OVER 96,000 THIS YEAR, AND IMPACTING ON APPROXIMATELY ONE QUARTER OF A MILLION INDIVIDUALS. BENEFITS HAVE INCREASED FROM A LOW OF $230 IN 1982 TO $295 IN 1986. IN ADDITION, THERE HAVE BEEN GREAT ADVANCES IN THE ADMINISTRATION OF THE PROGRAM BOTH IN MY STATE AND NATIONWIDE.

YET, EVEN WITH THE MANY ACHIEVEMENTS MADE BY THE PROGRAM THERE STILL REMAINS A NUMBER OF CONCERNS. I WOULD LIKE TO ADDRESS TWO MAJOR CONCERNS AND SUGGEST RECOMMENDATIONS FOR PROGRAM IMPROVEMENT.

THE LIHEAP PROGRAM OFFERS ENERGY ASSISTANCE TO THOSE UNABLE TO PAY. BUT, THERE ARE LIMITATIONS INCLUDING LIMITED RESOURCES AND LOW PARTICIAPTION RATES FOR THE MOST VULNERABLE WITHIN THE ELIGIBLE POPULATION. IT IS BECAUSE OF THESE PROBLEMS, AMONG OTHERS, THAT THE PROGRAM DOES NOT PROVIDE ENERGY SUPPLIERS AND CLIENTS WITH THE EXPECTATION OF RESOLVING THEIR PAYMENT PROBLEMS.

LEVEL FUNDING FOR LIHEAP IN THE PAST COUPLE OF YEARS HAS PREVENTED EXPANSION OF THE PROGRAM WITHIN THE ELIGIBLE POPULATION. ACCORDING TO THE MARCH, 1984 CURRENT POPULATION SURVEY, 21.4 MILLION HOUSEHOLDS NATIONWIDE HAD MONEY INCOMES BELOW THE MAXIMUM INCOME LEVELS SET IN THE LIHEAP STATUTE. YET, ONLY 7.3 MILLION OR 31% ACTUALLY RECEIVED ASSISTANCE.

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THE LOW PARTICIPATION RATES AMONG THOSE INDIVIDUALS MOST VULNERABLE TO TERMINATION ARE OF PARTICULAR CONCERN BECAUSE THEY ARE THE ONES THAT ARE LEAST LIKELY TO TAKE ADVANTAGE OF THE PROGRAM. MOREOVER, STUDIES PERFORMED IN PENNSYLVANIA AND MARYLAND INDICATE THAT IT IS THE WORKING POOR, THOSE NOT RECEIVING WELFARE OR CATEGORICAL ASSISTANCE, THAT ARE MOST AT RISK.

THE FOLLOWING STATISTICS INDICATE THAT LIHEAP PARTICIPATION IS NOT COMPARABLE BETWEEN THE POOR HOUSEHOLDS, THOSE NOT RECEIVING WELFARE, AND THOSE OF RELATIVE INCOMES PARTICIPATING IN FEDERAL AID PROGRAMS.

- NATIONWIDE, A PARTICIPANT IN AFDC, SSI OR FOOD STAMPS HAS A 2:1 BETTER CHANCE OF PARTICIPATING IN LIHEAP, OVER HIS NEIGHBOR IN THE SAME INCOME CATEGORY (UNDER 125% POVERTY) WHO GETS NO OTHER BENEFITS. 76.8% OF LIHEAP RECIPIENTS PARTICIPATE IN ONE OR ANOTHER OF THESE INCOME SUPPORT PROGRAMS.

- WHILE THE CENSUS FOUND 75.7% OF THE "WELFARE POOR" HOUSEHOLDS UNDER 125% POVERTY RECEIVE LIHEAP BENEFITS, IT FOUND ONLY ABOUT 15% OF ALL HOUSEHOLDS UNDER 125% ARE PARTICIPATING.

- IN SOME REGIONS, THERE ARE VIRTUALLY NO NON-WELFARE HOUSEHOLDS IN THE LIHEAP PROGRAM. THOSE REGIONS ALSO ARE AMONG THE LOWEST IN PROGRAM PARTICIPATION.

- OF THE LOWEST INCOME HOUSEHOLDS, THOSE BELOW 50% OF THE POVERTY LEVEL HAVE PARTICIPATION RATES FAR BELOW THE NATIONAL AVERAGE. THE POOREST OF THE ELDERLY, IN FACT, HAVE THE LOWEST PROBABILITY OF PARTICIPATING.

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THE GOVERNMENT ACCOUNTING OFFICE (GAO) RECENTLY COMPLETED TELEPHONE SURVEYS TO 13 STATES WHICH WERE INCLUDED IN A PREVIOUS REVIEW OF THE LIHEAP PROGRAM. EIGHT OF THE 13 STATES OPERATED PROGRAMS THAT COMPLIED WITH 1984 ELIGIBILITY CHANGES (THE 1984 AMENDMENTS PROHIBITED STATES FROM SETTING THEIR ELIGIBILITY LIMITS LOWER THAN 110% OF THE POVERTY LEVEL AND EXCLUDING INCOME ELIGIBLE HOUSEHOLDS FROM RECEIVING ASSISTANCE). IN ORDER TO COMPLY WITH THE LAW, FOUR STATES HAD TO RAISE THEIR ELIGIBILITY CEILINGS, WHILE TWO STATES HAD TO INCLUDE INCOME ELIGIBLE HOUSEHOLDS IN THEIR PROGRAMS. THE RESULT, ACCORDING TO GAO, WAS THAT SIX OF THESE STATES ANTICIPATED AN INCREASE IN THE PARTICIPATION RATES OF BOTH THE WORKING POOR AND OTHER INCOME ELIGIBLE HOUSEHOLDS. THEREFORE, THE NEED TO REACH OUT TO THOSE ELIGIBLE INDIVIDUALS NOT PARTICIPATING IN FEDERAL AID PROGRAMS REMAINS APPARENT AND MUST BE ADDRESSED.

FUNDING LEVEL

THE REAGAN ADMINISTRATION HAS PROPOSED FOR LIHEAP IN FISCAL YEAR 1987 A FUNDING LEVEL OF $2.1 BILLION. THIS IS THE SAME AMOUNT THAT WAS APPROVED FOR FISCAL YEARS 1985 AND 1986. SINCE ONLY 31% OF THOSE ELIGIBLE RECEIVE ENERGY ASSISTANCE, THE PRESIDENT'S PROPOSED BUDGET REQUEST FALLS SHORT OF MAINTAINING THE PROPER LEVEL OF FUNDING NECESSARY TO REACH THE MOST VULNERABLE INDIVIDUALS. THEREFORE, IT WOULD BE APPROPRIATE FOR CONGRESS TO PROVIDE AT LEAST A 3% INCREASE IN THE ADMINISTRATION'S PROPOSED FUNDING FOR FY 1987, AND IN EACH OF THE REMAINING OUT YEARS.

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LENGTH OF AUTHORIZATION

ANOTHER ISSUE OF CONTENTION IS THE LENGTH OF THE PROGRAM AUTHORIZATION. THE NATIONAL GOVERNOR'S ASSOCIATION HAS PROPERLY POINTED OUT THAT SINCE "ALL LEVELS OF GOVERNMENT INVOLVED IN ADMINISTERING THE PROGRAM SHOULD BE PROVIDED WITH ADEQUATE TIME TO PREPARE CAREFULLY AND COMPLETELY FOR INITIAL IMPLEMENTATION AND FOR IMPLEMENTING OF ANY SUBSEQUENT ALTERATIONS," SHORT-TERM REAUTHORIZATION SHOULD BE AVOIDED. CONSEQUENTLY, LIHEAP SHOULD BE AUTHORIZED FOR A PERIOD OF SEVERAL YEARS(8).

PROGRAM FLEXIBILITY

ONE OF THE MAJOR CONCERNS IS THAT THE PROGRAM RETAIN A HIGH LEVEL OF FLEXIBILITY. STATE GOVERNMENTS ARE IN THE BEST POSITION TO DEAL WITH THE ENERGY RELATED PROBLEMS OF THEIR STATE AND THEREFORE HAVE A GREATER CAPACITY TO MEET THE NEEDS OF THEIR CLIENTS. PROGRAM FLEXIBILITY IS IMPORTANT IN A NUMBER OF AREAS SUCH AS CARRYOVER FUNDING, CRISIS ASSISTANCE, WEATHERIZATION ASSISTANCE, TRANSFERRING MONEY TO OTHER BLOCK GRANTS AND STATE ACCOUNTABILITY. PROGRAM FLEXIBILITY HAS ALLOWED MARYLAND TO:

- CARRYOVER $1,237,341 IN UNEXPENDED FFY 1985 FUNDS: $1,000,000 WILL BE UTILIZED FOR THE DEPARTMENT'S FURNACE RETROFIT DEMONSTRATION PROJECT, $215,915 FOR THE WEATHERIZATION ASSISTANCE PROGRAM AND $21,423 TO SUPPLEMENT ENERGY ASSISTANCE BENEFITS;
- PROVIDE EQUITY IN THE ISSUANCE OF ENERGY CRISIS ASSISTANCE BENEFITS, AND INSURE TIMELINESS OF SERVICE DELIVERY IN CRISIS SITUATIONS (24 HOURS), PROVIDING FOR AN EXPEDITED DRAWDOWN OF UP TO $150 FROM THE HOUSEHOLDS REGULAR BENEFIT;

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- TRANSFER 15% OF ITS LIHEAP FUNDS INTO WEATHERIZATION IN FY 1986. THE AVERAGE WEATHERIZATION GRANT IS $1,000 AND WILL BE PROVIDED TO OVER 8,000 HOMES. EACH WEATHERIZED HOUSEHOLD WILL SAVE THE CLIENT APPROXIMATELY 30% IN THEIR FUEL BILL IN THE FOLLOWING YEARS;

- BYPASS THE TRANSFER OF LIHEAP FUNDS INTO ANOTHER BLOCK GRANT PROGRAM; AND

- ENSURE ITS OWN HIGH LEVEL OF PROGRAM EFFICIENCY. ENFORCEMENT OF THE PROGRAM SHOULD BE LEFT UP TO THE STATES. THROUGH PUBLIC/LEGISLATIVE OVERSIGHT AT THE STATE LEVEL AND STATE PERFORMED AUDITS, STATES ARE INSURING THAT THE LIHEAP MONIES ARE EXPENDED IN A MANNER CONSISTENT WITH FEDERAL STATUTES.

DISCRETIONARY FUNDING

THE RATE OF ACCELERATION IN TERMS OF TECHNOLOGICAL INNOVATION AND MANAGEMENT PRACTICES IS INCREASING IN THE HUMAN SERVICE ARENA. LIHEAP IS CERTAINLY NO EXCEPTION, HOWEVER, THE RATE OF DISSEMINATION AND ADOPTION OF NEW PRACTICES IS MUCH SLOWER. THE RESULT IS A LONGER LAG BETWEEN DISCOVERY AND IMPLEMENTATION. IN ORDER FOR STATES TO BENEFIT FROM NEW KNOWLEDGE AND INNOVATIONS, THEY NEED EFFICIENT SYSTEMS FOR IDENTIFYING AND GAINING ACCESS TO INFORMATION. UNLIKE AFDC, FOOD STAMPS, MATERNAL AND CHILD HEALTH PROGRAMS, AND OTHER MAJOR NATIONWIDE HUMAN SERVICE PROGRAMS, THERE ARE NO DISCRETIONARY FUNDS AVAILABLE IN THE LIHEAP BLOCK GRANT.

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NEADA STRONGLY RECOMMENDS THAT APPROXIMATELY $2 MILLION BE AUTHORIZED FOR DISCRETIONARY FUNDING. THIS FUNDING WOULD BE PROVIDED FOR BY PROPORTIONATELY REDUCING EACH STATE, INDIAN TRIBE AND TERRITORY ALLOTMENT AFTER THE ALLOCATION IS MADE. FUNDING OF THIS NATURE WILL ENABLE THE TRANSFER OF TECHNOLOGY BETWEEN STATES, THEREBY INCREASING THE OPPORTUNITY FOR ANY STATE--LARGE OR SMALL--TO BECOME MORE EFFICIENT AND EFFECTIVE IN TERMS OF OVERALL PROGRAM OPERATIONS.

LIHEAP ASSISTANCE VS. FOOD STAMP BENEFITS

PASSAGE OF THE 1985 FARM BILL INCLUDED PROVISIONS WHICH PROHIBITED REDUCTIONS IN FOOD STAMP BENEFITS FOR LIHEAP RECIPIENTS. THE BILL PROVIDED THAT:

- LIHEAP RECIPIENTS MAY NOT BE DENIED USE OF A STANDARD UTILITY ALLOWANCE SO LONG AS THEY HAVE SOME OUT-OF-POCKET HOME ENERGY COSTS.
- VENDOR-PAYMENT RECIPIENTS MAY NOT BE TREATED DIFFERENTLY FROM CASH PAYMENT RECIPIENTS.
- LIHEAP PAYMENTS CANNOT BE COUNTED AGAINST "EXCESS" SHELTER DEDUCTIONS FOR RECIPIENTS WITH SOME OUT-OF-POCKET COSTS.

THE PRESIDENT'S FY 1987 BUDGET PROPOSES THAT LIHEAP BENEFITS BE INCLUDED AS INCOME WHEN COMPUTING FOOD STAMP BENEFITS. SHOULD THIS PROPOSAL PASS, HUNDREDS OF THOUSANDS OF HOUSEHOLDS WILL LOSE MILLIONS OF DOLLARS IN WINTER FOOD STAMP BENEFITS. IT IS ESTIMATED THAT 27,000 HOUSEHOLDS IN MARYLAND WOULD BE AFFECTED, WITH A TOTAL REDUCTION IN BENEFITS BEING $1.5 MILLION PER YEAR. THIS ISSUE SHOULD BE CLARIFIED IN THE LIHEAP REAUTHORIZATION LEGISLATION.

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OIL OVERCHARGE MONEY

THE REDISTRIBUTION OF THE OIL OVERCHARGE REFUND IS ANOTHER IMPORTANT ISSUE IN ENERGY ASSISTANCE. SEVERAL KEY MEMBERS OF CONGRESS AND THE NGA HAVE SPOKEN OUT IN OPPOSITION TO THE ADMINISTRATION'S SUGGESTION THAT THE FUNDS BE APPLIED TOWARD DEFICIT REDUCTION. THESE PARTIES FEEL THAT THE OIL OVERCHARGE REFUNDS BELONG TO AFFECTED CONSUMERS AND ARE NOT TAX DOLLARS. MARYLAND JOINS IN SUPPORTING THE RETURN OF THESE REVENUES TO THE IDENTIFIED INJURED PARTIES, AND IN CASES WHERE SPECIFIC INJURED PARTIES CANNOT BE IDENTIFIED, WE SUPPORT THE DISTRIBUTION OF THE OVERCHARGE REVENUE DIRECTLY TO THE STATES BY THE DOE FOR ENERGY RELATED PROGRAMS. THE MARYLAND OIL OVERCHARGE TRUST FUND BOARD WILL BE HOLDING STATEWIDE HEARINGS TO DETERMINE PRECISELY HOW THE FUNDS WILL BE USED IN THE STATE.

GRAMM-RUDMAN-HOLLINGS

ON MARCH 1, 1986, THE FIRST GRAMM-RUDMAN-HOLLINGS(GRH) CUT WENT INTO AFFECT. NEADA APPRECIATES THE DIFFICULT SITUATION THAT CONGRESS HAS HAD TO OPERATE IN, AND COMMENDS YOU FOR YOUR FORESIGHT IN EXEMPTING SOME SOCIAL PROGRAMS FROM THE GRH AX. THE LIHEAP PROGRAM, HOWEVER, BECAUSE IT IS UNPROTECTED UNDER THE LAW, RECEIVED A 4.3% REDUCTION, WHICH MEANT A LOSS IN FUNDING FOR FY 1986 OF OVER $90 MILLION. ALTHOUGH THERE WAS LITTLE THAT COULD BE DONE ABOUT THE MARCH 1ST CUT, ANY FURTHER REDUCTIONS UNDER THE LAW WOULD BE DEVASTATING TO THE PROGRAM. THEREFORE, CONGRESS SHOULD WORK TO PASS A BUDGET THAT WILL PRIORITIZE SPENDING SO THAT PROGRAMS SUCH AS LIHEAP, WHICH PROMOTES SELF-SUFFICIENCY, WILL BE SPARED FURTHER CUTS. MARYLAND RECEIVED A REDUCTION OF

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$4.3 MILLION ON MARCH 1ST. IN ORDER TO ABSORB THE REDUCTION WE HAD TO SIGNIFICANTLY REDUCE OUR TRANSFER TO THE WEATHERIZATION ASSISTANCE PROGRAM, THEREBY NEGATIVELY IMPACTING ON THE NUMBER OF FAMILIES WE COULD SERVE THIS YEAR.

PROGRAM INNOVATIONS

NEADA HAS BROUGHT ENERGY ASSISTANCE REPRESENTATIVES TOGETHER IN REGIONALFORUMS TO DISCUSS LIHEAP PROGRAM ALTERNATIVES AND INNOVATIONS THAT WILL BENEFIT CLIENTS. SOME OF THESE INNOVATIONS INCLUDE:

- FUEL FUNDS - FUEL FUNDS, FROM PRIVATELY SPONSORED ENERGY SPECIFIC CHARITIES, PROVIDE SEED MONEY AND/OR MATCHING GRANTS UP TO A SPECIFIED LIMIT, WHILE UTILITY CUSTOMERS PROVIDE ADDITIONAL FUNDS THROUGH A VOLUNTARY CONTRIBUTION WHEN PAYING REGULAR MONTHLY BILLS;
- MORATORIA - RESTRICTING UTILITY SERVICE TERMINATION OF RESIDENTIAL ACCOUNTS DURING THE HEATING SEASON HELPS POOR HOUSEHOLDS BY PROVIDING THEM WITH TIME RATHER THAN MONEY TO MEET THEIR ENERGY BILLS. THIS IS ESSENTIALLY A REGULATORY SUSPENSION OF CONVENTIONAL COLLECTION PRACTICES WHEN SUCH PRACTICES MIGHT RESULT IN A POSSIBLE THREAT TO HEALTH OR LIFE;
- BUDGET PAYMENT PLAN - EXTENDED PAYMENT OPPORTUNITY AND OTHER BUDGET MANAGEMENT TECHNIQUES ARE OFFERED TO AMORTIZE ARREARAGES BEFORE A REGULATED UTILITY CAN TERMINATE SERVICE FOR NON-PAYMENT. THESE PROGRAMS WHICH ARE INTENDED TO RECOGNIZE THE UNEVEN SEASONAL NATURE OF ENERGY COSTS, ASSUME THAT A LOW-INCOME HOUSEHOLD'S PAYMENT PROBLEM MAYBE A CASH FLOW PROBLEM THAT CAN BE MITIGATED BY SMOOTHING OUT ENERGY BILLS;

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- MARKET INTERVENTIONS - IN CERTAIN FUEL MARKETS, AN EFFORT HAS BEEN MADE TO REDUCE THE COST OF ENERGY TO THE POOR THROUGH CHANGES IN THE DISTRIBUTION SYSTEM FOR THE FUELS THEMSELVES. OPERATIONAL SAVINGS ARE USED TO REDUCE THE PRICE OF ENERGY OR THE MONEY COST OF CONSERVATION INVESTMENTS FOR LOW-INCOME HOUSEHOLDS; AND
- GUARANTEED SERVICE PLANS(GSPs) - MOST GSP PROPOSALS CALL FOR PARTICIPATING HOUSEHOLDS TO PAY A PREDESIGNATED PERCENTAGE OF THEIR INCOME TO THE UTILITY PROVIDING THE PRIMARY HEAT SOURCE. THESE PLANS CAN REDUCE OR ELIMINATE THE NEED FOR TERMINATION MORATORIA BY PROVIDING PAYMENT ASSISTANCE TO THOSE WHO NEED IT (PRESENTLY IMPLEMENTED IN TWO STATES AND UNDER CONSIDERAITON IN THREE OTHERS).

MARYLAND, I AM PROUD TO SAY, HAS BEEN PARTICULARLY INNOVATIVE IN OPERATING ITS LIHEAP PROGRAM. WE HAVE:

- IMPLEMENTED AN EARLY START-UP PROGRAM FOR ALL APPLICANTS WITH THE USE OF CARRYOVER FUNDS (SEPTEMBER, 1985);
- INITIATED A WINTER HEATING PROTECTION PLAN, WHICH HAS REDUCED CUT-OFFS DURING THE HEATING SEASON FROM 8,300 IN FY 1984 TO JUST 89 IN FY 1985;
- SET ASIDE $200,000 TO PROVIDE ASSISTANCE TO HOMELESS AND BATTERED SPOUSE SHELTERS--THE FIRST PROGRAM IN THE COUNTRY TO INSTITUTE SUCH A MEASURE;
- IMPLEMENTED A CONSOLIDATED APPLICATION WITH THE WEATHERIZATION ASSISTANCE PROGRAM AND THE WINTER HEATING PROTECTION PLAN, THEREBY PROVIDING ONE STOP SHOPPING FOR LOW INCOME ENERGY SERVICES;

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- RECOGNIZED THAT ROOMERS AND BOARDERS, MANY OF WHOM ARE ON FIXED INCOMES, EXPERIENCE LIMITED EXPOSURE TO HEATING COSTS. THEREFORE WE ARE PROVIDING A MINIMUM BENEFIT TO HELP DEFRAY THESE COSTS;
- REQUIRED A 10% DISCOUNT FOR OIL CUSTOMERS IN BALTIMORE CITY, GENERATING OVER $400,000 IN ADDITIONAL BENEFITS FOR LOW INCOME FAMILIES (THIS INITIATIVE IS PLANNED FOR STATEWIDE EXPANSION, WHICH SHOULD PROVIDE OVER $800,000 IN ADDITIONAL BENEFITS TO MEAP OIL CUSTOMERS);
- DEVELOPED A MAJOR ADVERTISING PROGRAM THAT ATTEMPTS TO REACH THE ELIGIBLE UNSERVED POPULATION (i.e....BUSCARDS, BILLBOARDS, RADIO ANNOUNCEMENT, ETC.); AND
- PARTICIPATED IN A PUBLIC/PRIVATE PARTNERSHIP WITH MARYLAND UTILITIES IN THE DEVELOPMENT OF A CONSUMER EDUCATION VIDEO WHICH IS SHOWN IN MEAP INTAKE SITES STATEWIDE.

CLEARLY, THE FLEXIBLE NATURE OF THE BLOCK GRANT HAS ALLOWED STATES AROUND THE COUNTRY TO RESPOND IN CREATIVE WAYS TO THE NEEDS OF THE LOW INCOME FAMILIES IN THEIR RESPECTIVE STATES.

I WOULD LIKE TO ONCE AGAIN THANK THE COMMITTEE FOR ALLOWING ME THE OPPORTUNITY TO SHARE MY VIEWS ON THE REAUTHORIZATION OF THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM. AS YOU CONTINUE YOUR DELIBERATIONS ON REAUTHORIZATION, PLEASE FEEL FREE TO CALL UPON THE ASSOCIATION.

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NATIONAL COMMUNITY ACTION FOUNDATION
2100 M STREET, N.W.
SUITE 604A
WASHINGTON, D.C. 20037
(202) 775-0123

Testimony of Robert Hatheway
Subcommittee on Children,
Family, Drugs & Alcoholism

Distinguished Chairman, my name is Robert Hatheway, of South Windsor, Connecticut. I am the Executive Director of the New England Community Action Program Directors Association and the Director the Low Income Planning Agency of South Windsor, Connecticut. As the community agencies which deliver Energy Assistance in 29 states, Crisis Intervention in 36 states and Weatherization services in all states, the nation's 900 CAPs have a deep interest and long experience in the effective and timely delivery of Energy Assistance services.

Energy Needs

First, let me emphasize how desperately energy payment assistance is needed today more than ever. Many poor households are quite simply unable to pay for enough energy to maintain heat and vital services through a winter. On average the poor still pay over 14% of their incomes for residential energy alone, while the percentages needed to cover other necessities, especially payments for health

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care, have also risen drastically since 1977. I am attaching to my testimony studies performed for the National Community Action Foundation showing that, in 1984, the 22.3 million households eligible for LIHEAP had $5 billion (inflation adjusted) less in purchasing power than in 1978 solely because of energy cost increases. In other words, the federal aid makes up less than half the losses to the eligible population from energy inflation and by no stretch of the imagination can be said to improve their position beyond where they were eight years ago.

The LIHEAP block grant is a barrier to even more backsliding into destitution. But the fuel situation continues to be very threatening for the poor. HHS says 1.2 million low income households lost utility service in 1982 because of non-payment. Debts owed to utilities continue to escalate, so that the threat of further terminations grows. On average, LIHEAP payments have been covering just about 20% of a household's energy bill. Many states, including my own, consistently exhaust funds before the heating season ends and formula changes have threatened the continuation of aid levels.

Madame Chairman, a few examples may help give our concerns a human face: Take the Peters family of Barbourville, Kentucky. The mother, Rhonda, and three children live on a $246 AFDC allotment and $265 of Food Stamps per month. Now LIHEAP funds have run out in Kentucky and she has received

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a shut off notice. She owes $198 on her electric bill. She now plans to heat her house using space heaters and extension cords to her mother-in-law's house next door. The fire hazard is considerable in her very dilapidated rental unit.

There is the Portland, Oregon family with 5 children and one grandparent with $3,900 net income annually. Their oil bills have run $1,000 per year in their dilapidated rental unit. Even with LIHEAP assistance of about $300, they hav all gone without food this winter to keep the heat on.

Or the 78 year old Iowa widow, Jennie, who lives on $284 monthly and had a $47 budget bill payment due each month to Iowa Public Service Company. LIHEAP paid $305 or a little over six months of her heating costs. She tells her CAP she spends just $85 monthly on groceries.

I think it is important for the subcommittee to acknowledge that little is going to change in the lives of these families because of events in the Persian Gulf oil fields. In Connecticut, heating oil is still 88 cents a gallon; we found one company charging $1.13; and natural gas prices are unchanged.

LIHEAP Resources and Their Multiplier Effect

Madame Chairman, the CAPs recognize the realities of the nation's budgetary needs, and we are therefore not asking that these subcommittees authorize the sums that are

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really needed to keep the LIHEAP participants at no more than the level of poverty they faced eight years ago. Your Committee has long been the bulwark of defense for the poor against both energy related catastrophe and other forms of suffering.

Weatherization Resources

Madame Chairman, a deep concern for CAPs and their clients is the devastating effect that Block Grant reductions have on our weatherization efforts. When payment needs are higher than anticipated, or when funding is cut, as in the recent Gramm-Rudman-Hollings sequestration, the first reductions fall on our conservation efforts. This seems to be administratively easier for the States; but it is pennywise and pound-foolish, as the opportunity to reduce energy bills permanently is postponed or lost.

The subcommittee realizes that the LIHEAP/Conservation effort ($229 million in FY 1985) usually comes close to the annual DOE effort. However, the availability of these funds is unreliable and diminishing. We would recommend first, increasing the amount available for weatherization up to 25%, and eliminating the permissible transfer to other block grants. In addition, we hope your consideration of LIHEAP legislation will extend to a coordinated approach to weatherization reauthorization that compensates for any State losses of Block Grant funds. Not only the integrity of an energy related effort but the well-being of the many families

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waiting for weatherization demand it. We hope you will find it possible to add a single extension of authorization for the DOE weatherization program.

Millions of dollars of private utility investment in low income conservation depend on the stable existence of a low income service delivery system. The Federal conservation effort has created a network of providers that now serves as a conduit for growing utility weatherization investment: over $40 million in California last year, $6 million in Pennylvania, $5 million a year or so in Wisconsin, and similar sums in Massachusetts and New Jersey. Now that we are achieving the Administration's goal of raising private dollars, the catalyst of federal funding must not be diluted and diminished.

Assitance Resources

I think it is helpful and encouraging to point out that LIHEAP programs have become a base on which other resources, both financial and human, have been mobilized. Most important is the immense network of relationships between the utilities fuel oil dealers and the assistance programs. A competent LIHEAP provider now can often negotiate reasonable payment arrangements including, sometimes, some debt forgiveness for eligible households. Utilities are now filled with staff who can identify households with problems and negotiate help. The power of the vendor payment arrangement gives the delivery agencies and

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advocates the necessary clout to get additional help to LIHEAP clents.

The more progressive energy suppliers are now beginning to enter both national and local dialogues about wider and longer term arrangements to keep service to those unable to pay, by better organizing public funds, by requiring a regular household co-payment, and/or by rearranging debt and payment schedules. Michigan has pioneered one such system. These arrangements must be designed with care, so as to avoid forcing the poor to commit more resources than they can afford. The Energy Assistance Directors under Ms. Marcus' leadership are coordinating a national educational effort which is both pioneering and promising.

In addition, of course, the LIHEAP program has been the catalyst for millions of dollars of state contributions including large appropriations in Massachusetts, Michigan and Indiana, as well as anywhere from $40 million in Fuel Funds. Many areas have less dramatic, but highly effective private sector efforts, like the hypothermia prevention effort funded through our agency by local bussinesses. We supply the elderly with packages of warm underwear, slippers, blankets, with technical assistance and with advice on keeping body temperature warm.

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In the long run, these efforts, which are now relatively small, may begin to make up the lost purchasing power for LIHEAP households which the program cannot cover. But we need to keep at least the stable base of federal funding to permit this to occur.

Program Design Issues

Madame Chairman, this Committee knows and has been very responsive to the continuing concerns of our community service providers over the life of this program.

In 1984, in the National Community Action Foundation's testimony to you, we pointed out that Congressional intent regarding the nature of energy assistance was not being fully implemented. We said that a few states were turning this targeted energy assistance into a generalized program of income support and, in the process, neglecting non-welfare households and the elderly poor. Further, by failing to provide readily accessible crisis assistance support, sometimes households were facing life-threatening emergency situations with nowhere to turn. In addition, we expressed support for limitations on year-to-year carryover, for stronger enforcement of Block Grant conditions by HHS and for a reasonable degree of State accounting and reporting so that this large program can be properly monitored.

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The Human Services Reauthorization Act of 1984 authorized by this Committee, contained the majority of CAP recommendations. We believe, moreover, that these requirements of law have meant considerable policy changes in a few states. As a result, elderly and working poor households in those areas will be much more likely to have access to essential help when it is needed. To be specific, changes were made in the Michigan, Kentucky, California and Texas programs to reach a wider spectrum of low income households and to make emergency, as well as regular payment, help available as needed. Now, as then, most States our own, are running excellent, well-targeted programs and are channeling vital dollars to meet critical needs. In fact, more information is now available to prove that fact because of expanded State submissions to HHS required under the 1984 amendments.

I have come, however, to report the Congressional mandate is still being ignored in a very few places. The Department of Health and Human Services' refusal to interpret or enforce any provisions of the 1984 Act means that the poor and their advocates have no where to turn in those instances where the law is not implemented.

The National Community Action Foundation has reviewed the state plans of 33 states as funded by HHS. Attached is a more detailed memorandum for the Committees' consideration; the summary of our findings, from review of the programs on paper, is as follows:

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- States are apparently treating the "non-welfare" and "welfare" poor households much the same everywhere except the few states which make automatic payments, that is, with no application required, to "categorically eligible" housholds and also make little effort to reach others, including the elderly.

- A few cold weather states are still allocating only symbolic acounts to crisis aid; only $20,000 in one case.

- Several more, like the state of Pennylvania, are restricting the access to emergency help so that it cannot provide rapid response to the kind of life-threatening emergencies the elderly and infants tend to encounter in winter. Most states are like Connecticut. They have fast turn-around help available to reconnect power, deliver fuel, fix furnaces or even move families in under 24 hours. In Pennsylvania, we have cases of extremely poor families who had termination notices in December, applied for emergency help and have not yet had a response from the Welfare Department.

Specific examples are attached for the Record.

Madame Chairman, these and other related concerns that CAPs have on reviewing the state plans have already been dealt with the Congress. They should no longer be at issue, nor would they be if the Department of Health and Human Services were exercising its obligation to implement the statute. Instead, they are using every loophole to avoid enforcement of any kind. There is no reason to fund States until they meet the requirements of a law that the overwhelming majority find to be no burden at all. (Indeed if any States still feel uncertain about how to run these programs, they need only refer to state plans of Massachusetts or Connecticut for models for the nation.)

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While it is clearly difficult to force an unwilling Secretary to do his job, we strongly urge the Committee to make a clear statement in favor of the 1984 Act by including in the reauthorization package requirements that the Department promulgate an application format which assures that all the material required by law is delivered to them, and that it make affirmative, detailed and substantiated findings that each requirement of law, and there are not very many, has been met before releasing funds to any State. As the Department's testimony and reports show, they simply cannot tell whether requirements of equal treatment, crisis assistance and handicapped are being met. Madame Chairman, in the present environment, two billion dollars is a lot of money to our clients and to the taxpayer. They deserve to know whether it is all being spent for the reasons Congress directed.

Madame Chairman, you and your colleagues took the initiative in last year's battle to overturn the illegal USDA policy of counting LIHEAP benefits in the calculation of Food Stamp benefits. Our analyses show your legislation restored millions of dollars of benefits that were denied or threatened for the 56% of LIHEAP households who also receive Food Stamps.

We do feel that two loopholes remain in the compromise reached in Conference Committee which violate the intent of the Block Grant requirement for income disregard. First, the Farm Bill permits states to use a lower "substandard"

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Standard Utility Allowance. Although this is not a dollar for dollar loss to a recipient -- it does in effect treat LIHEAP as an increase in net income. Second, a requirement that a household have out-of-pocket costs for any kind of benefit determination does mean that LIHEAP is income to the few extremely poor households whose benefit might be high enough to cover the entire position of the bill for which they are responsible. Although there will be few households with no out-of-pocket costs, the requirement is a violation of the income disregard for those few and they would be the neediest who receive the highest benefit.

It is our hope that your Committee can clarify your original intent so as to rule out these possibilities. We need you to drive, for once and for all, the legislative stake through the heart of the Administration's policies, which the USDA is again trying to raise from the grave.

Exxon Funds

Madame Chairman, the availability of funds at the State level as a result of the U.S. vs. Exxon decision must not be permitted to give the Congress an excuse to defund the essential Low Income Energy Program.

We realize that the legal requirements that these funds be used as compensation for past losses to consumers and not as replacement funds to supplant federal programs is being

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threatened by the deficit problem. Let me point out some key facts.

Under the 1983 distribution of this kind of funding, the Warner Amendment, the lions share went to conservation in hospitals and public buildings. Forty percent remained unspent in spite of critical low income needs. Some Governors have not and never will give the poor and elderly the same priority as has your Committee and the Congress. Further, the Exxon distribution is not the same as the LIHEAP formula; Sunbelt States like Florida, get more Exxon funds that LIHEAP; Connecticut gets much less.

Also, if Congress were to cut federal weatherization or LIHEAP funding in FY 1987, many legislatures in States where expenditures need legislative approval, would not meet in time to keep next winters' programs running.

In addition, the Department of Energy and HHS are refusing to excercise the necessary authority to enforce the judges decision. Unless your Committee provides legislatively for the enforcement of the existing program rules, we can expect to see a lot of Exxon funds used for road repair and school bus purchases. Your help is urgently needed.

Again, the support and concern of these Committees has relieved hardship for millions of households for nearly a decade. These people and others who are equally needy depend on the concern and continued support you are showing today.

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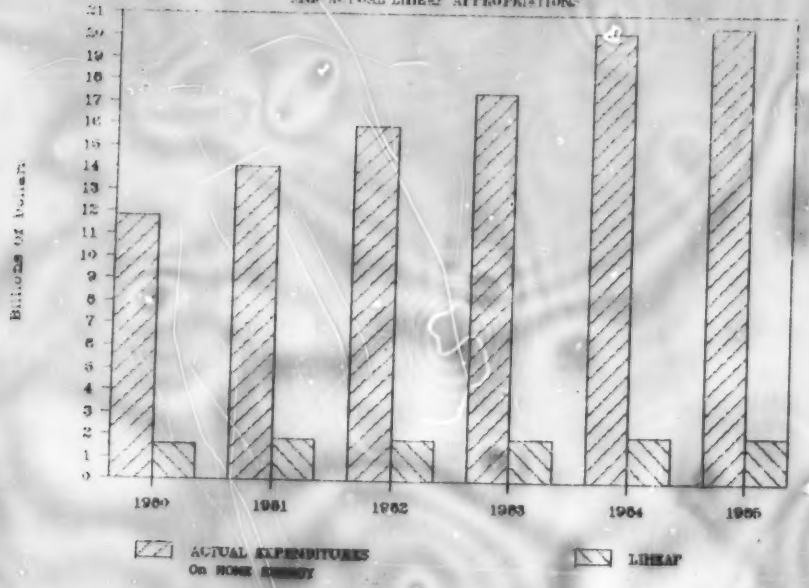
NATIONAL COMMUNITY ACTION FOUNDATION
(202) 775-0223

TOTAL EXPENDITURES BY THE POOR
AND ACTUAL LIHEAP APPROPRIATIONS



NATIONAL COMMUNITY ACTION FOUNDATION
2100 M STREET, N.W.
SUITE 604A
WASHINGTON, D.C. 20037
(202) 775-0133

TESTIMONY OF ROBERT HATHEWAY

LOW INCOME ENERGY EXPENDITURES AND FEDERAL ASSISTANCE REQUIREMENTS

TABLE 1

PRICE

PRICE	1978	1979	1980	1981	1982	1983	1984	1985
GAS(MCF)	$2.560	$2.980	$3.680	$4.296	$5.170	$6.060	$6.120	$6.17
#2 OIL(gal)	$0.494	$0.704	$0.974	$1.194	$1.160	$1.098	$1.095	$1.03
RESID(barrel)	$12.750	$18.670	$26.090	$32.360	$29.080	$26.530	$27.799	$24.49
ELECTRICITY	$0.043	$0.044	$0.054	$0.062	$0.067	$0.072	$0.076	$0.08
PER MBTU								
GAS	$2.49	$2.90	$3.58	$4.18	$5.03	$5.90	$5.96	$6.01
#2 OIL	$3.56	$5.08	$7.02	$8.61	$8.36	$7.77	$7.87	$7.44
RESID	$2.13	$3.11	$4.35	$5.42	$4.85	$4.42	$4.65	$4.08
ELECTRICITY	$12.63	$13.00	$15.71	$18.17	$20.1:	$21.04	$22.16	$22.96

BASIC RESIDENTIAL ENERGY BUDGET
$ P.A. Per Household
(average weighted by fuel type)

	1978	1979	1980	1981	1982	1983	1984	1985
HEATING	$282.87	$344.20	$307.41	$363.45	$405.16	$440.69	$448.88	$447.53
HOT WATER	$79.30	$89.84	$100.24	$126.40	$142.10	$152.98	$158.92	$161.85
COOKING	$37.36	$41.16	$48.55	$56.30	$64.09	$69.81	$72.40	$74.36
ELECTRICITY	$128.85	$138.71	$160.23	$185.35	$205.01	$214.64	$226.00	$234.22
TOTAL	$448.37	$513.91	$624.43	$731.50	$816.49	$879.11	$906.21	$917.66

FEDERAL ENERGY ASSISTANCE AND EXPENDITURES BY ELIGIBLE HOUSEHOLDS
($ Millions)

# of HOUSEHOLDS	14,721	18,622	18,5[illegible]	19,236	19,548	19,864	22,300	22,300
EXPENDITURES	6214.5	9570.0	11619.8	14071.0	15960.8	17462.7	20230.4	20462.4
FED ENERGY ASST	20 .0	20[illegible].0	1[illegible].0	1850.0	1875.0	1975.0	2075.0	2100.0
NEEDED TO HOLD HARMLESS AS % OF [illegible] INCOME		276.4	1[illegible].2	2342.5	2991.3	3862.5	4421.9	4879.5

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TESTIMONY OF ROBERT HATHEWAY

NOTES

7. Calculations and Projections of the Basic Energy Budget

Prices - Annual residential averages for 1978 through 1983 as reported in the Department of Energy's "Monthly Energy Review" were employed, except for 1983 home heating oil prices which were reported by the National Energy Information Center for only part of the year. Prices for 1984 were inflated using the EIA "Short Term Energy Outlook". All prices are in nominal prices.

Income - Income for eligible households as reported in the Department of Health and Human Services 1982 report on the low Income Home Energy Assistance Program was employed, adjusted by the CPI for each year. Income is reported in nominal dollars.

Fuels - Piped gas electricity, #2 home heating oil and #6 residual fuel oil were the energy sources used in computing weighted average prices and consumption. The data was not adequate to permit the inclusion of Propane though it is used by low income households in substantial quantities.

Fuel Use Estimates - Heating consumption was derived from the 1981-1982 Residential Energy Consumption Survey (RECS), with consumption normalized for weather averages based on fuel type and census region. Average heating consumption for each fuel type discounting for hot water, air conditioning and cooking was employed and further discounted by 7 percent to allow for lower average consumption by poor households as reported in the 1982 HHS LIHEAP report. Hot water consumption was similarly derived. The average BTU consumption for hot water understates actual consumption by households with washing machines that make up approximately 55 percent of the eligible units.

Cooking consumption was based on average appliance usage reported in AGA Gas Facts 1981. Household electricity consumption is based on the use of 200KWH per month, which permits the use of a refrigerator and a few light bulbs.

Expenditures and consumption for each category of use were based on national average penetration rates for each energy source for each applicable use. All four energy sources were used for estimating heating and hot water. Electricity and gas were employed in the cooking estimate. Penetration rates were derived from RECS Housing Characteristics 1980 and DOE's "Consumption of Fuel Oil and Kerosene, 1979".

Total consumption and expenditures by eligible households are based on the 1982 HHS estimate of 21.5 million households eligible for the program under federal standards. Income and numbers of households at or below 125 percent of poverty were taken from the Bureau of Census poverty statistics for 1983.

B. ASSUMPTIONS

LIHEAP eligibles	18.2 millon Households 1980 CPS annually adjusted by population growth. New HHS estimate of 22.3 million used for 1984 and 1985
Consumption	Basic Residential Energy Budget

Perpared by Eisenberg and Power
Arlington, Virginia

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TESTIMONY

OF

S. DIANE KELLEY

DEPARTMENT DIRECTOR

OF THE

TRIBAL SERVICES AND EMPLOYMENT AND TRAINING DEPARTMENTS

OF

THE CHEROKEE NATION OF OKLAHOMA

REAUTHORIZATION OF THE

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Respectfully submitted to:

The Children, Family, Drugs and

Alcoholism Sub-Committee of the Labor and

Human Resource Committee

Thursday, March 13, 1986

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REAUTHORIZATION OF LIHEAP

Chairman, and members of the Subcommittee:

I am pleased to appear before you today to discuss the Low Income Home Energy Assistance Program. LIHEAP is in its fifth year of operation as a block grant program, and its working extremely well.

I would like to thank Chairwoman Hawkins, as well as the other members of the Sub-Committee for allowing me the opportunity to appear before you today in order to express my support for the reauthorization of the Low-Income Home Energy Assistance Program (LIHEAP). Since the Program's original passage in 1981 (Title XXVI of PL 97-35, the OMNIBUS Budget Reconciliation Act of 1981) and its subsequent reauthorization Act of 1984, PL 98-558), LIHEAP has provided billions of dollars in crucial energy assistance to millions of Low-Income families so that they may offset home energy costs. Many of those families being of Indian descent. Without these funds, Indian families might otherwise have to make the difficult decision of either heating or eating.

My name is Diane Kelley and I am the Tribal Services/ Employment and Training Department Director . I direct the Low Income Home Energy Assistance Program, which is a component within the Tribal Services Department of the Cherokee Nation of Oklahoma.

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The Cherokee Nation is one of 122 Indian Tribes nationwide that operates a Low Income Home Energy Assistance Program. Our jurisdictional territory covers the 14 counties of the Northeast section of the State of Oklahoma.

The purpose of the Tribal Services Department is to serve as the nucleus for the dissemination of information, intake and referral for services to the clientele of the Cherokee Nation. One of those services which plays an important role in reducing the disparity that exists among the Low-Income families pay for home heating costs and that of their median income counterparts is the Low Income Home Energy Assistance Program.

The re-authorization of the Low Income Home Energy Assistance Program is a primary concern and of interest to all 122 Indian Tribes across the Country and certainly to those clients for whom we are here to serve. The Cherokee Nation of Oklahoma ranks in the top 10 programs among the 122 Tribes in relationship to the overall allocation, which is $371,668.00 for FY 86. 2/3 of the Tribes fall under the $50,000.00 allocation mark and Indian Tribes in general receive 8/10 of 1% of the overall allocation appropriated for LIHEAP.

After the Grama-Rudman-Hollings cutback for FY '86 our overall budget for Indian Programs came to $16,326,129.00, which will need to remain or be increased in order to maintain

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and give the types of services to the Indian clientel which the majority are the elders of the Tribes, who have very little income to maintain during the cold crucial winter months and withstand the hot humid heat in the Summer.

Since the creation of the program, Indian Tribes have made tremendous strides in meeting the needs of their eligible populations. At the Cherokee Nation, the program has grown from reaching 288 households in 1982 to serving over 1,401 this year and impacting on approximately 5% of the overall Cherokee Nation population of 30,000 in the 14 county area. In addition, there have been great advances in the administration of the program both in my Tribe and other Indian Tribes nationwide.

The low participation rates among Indians can be contributed to the fact that they are the least likely to take advantage of the program, because of the remoteness of their accessibility to a Tribal agency, and lack of education and understanding the significance of the program from the elderly of the Tribe (55 and over.)

Overall, the heating and crisis assistance components are for the most part, at the same or higher funding levels than in previous years.

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In short, Madam Chairwoman, LIHEAP serves many different kinds of individuals in a number of ways. This diversity is the key to the success of the program and has been made possible by the block grant approach. This approach has proven important in the area of energy assistance because the population needing assistance, weather conditions, program administration and even energy costs vary substantially from State to State, as well as Indian Tribes.

The block grant approach has proven highly successful in giving States and Tribes the flexibility to respond to differing needs while maintaining sufficient Federal control to ensure effective use of program funds.

The current administration has proposed for LIHEAP in fiscal year 1987 a funding level of $2.1 billion. This is the same amount that was approved for fiscal years 1985 and 1986. Since only 31% of those eligible receive energy assistance the president's proposed budget request falls short of maintaining the proper level of funding. Therefore, it would be appropriate for Congress to provide <u>at least</u> a 3% increase in the administration's proposed funding for FY 1987, and in each of the remaining years. This request reflects Mr. Reagan's pledge to continue to provide essential low-income energy assistance funding while meeting the Gramm-Rudman-Hollings deficit reduction targets. This funding level will provide

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sufficient resources to continue serving the more than seven million households with the Indian population making up 2% of the overall service delivery area. Small in numbers, but far greater in need.

The authorization of the LIHEAP block grant, serving the States and Tribes should have the flexibility to modify their program as the situation arises, and be able to make long range plans for at least a four year period of operation. All levels of government involved in administering the program should be provided with adequate time to prepare carefully and completely for initial implementation and for implementation of any subsequent alterations. "short term reauthorization should be avoided.

Discretionary funding should be looked at very closely. Technology innovation and management practices are increasing in the Human Services area. The dissemination of information and adapting the practices is at a much slower rate and the Low Income Home Energy Assistance Program is no exception. There appears to be a period of lag time between the overall awareness of the program and the implementation of the program by the program participant. In order for States and Tribes to benefit from new techniques and innovative ideas, they need to have very efficient data systems for identifying and getting information. The LIHEAP Program unlike, the

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major nationwide Human Services Program, has no discretionary funds available in the LIHEAP block grant. The Cherokee Nation of Oklahoma strongly urges and recommends that discretionary monies be appropriated for the future funding of demonstration projects and provide technical assistance as needed to the Tribes.

On March 1, 1986, the first Gramm-Rudman-Hollings (GRH) cut went into effect. The Cherokee Nation of Oklahoma appreciates the difficult situation that the Senate must operate in and you are to be commended foresight in exempting some social programs from the GRH ax. The LIHEAP Program, however, because it is unprotected under the law, is slated to receive a 4.3% reductions, which means a loss in funding for FY 1986 of over $90 million. Reductions under the law would be devastating to the program. Therefore, the Senate should work to pass a budget that will prioritize spending so that programs such as LIHEAP, which promotes self-sufficiency, will be spared further cuts.

The Cherokee Nation of Oklahoma as well as other Indian Tribes nationwide will develop innovative ways to spreading their money farther for more effective services to the clients they serve. We have tapped into several resources within the Tribal government, one being the Home Improvement Program

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(HIP) a Bureau of Indian Affairs funded program, whereby houses are renovated and brought up to HUD standards. Weather ization is a portion of that program. We have combined our weatherization money with their existing funds and they provided the labor and assisted many Cherokee families within our area. Another service that was utilized was the (JTPA) Job Training Partnership Act Building Trades Apprenticeship Program for purposes of emergency crisis intervention projects. Installing wood stoves, renovating some portion of the house to make it warmer during the winter months for the elderly and handicapped. It proved to be a very worthwhile project and a good learning experience for the trainees.

Other innovative services rendered were budgeting counseling for some of the clientel, working with them on choosing good dependable and reliable fuel vendors, where a choice could be made.

One of our major contributions to the clientel was making sure we had enough carry-over funds for early start-up implementation. In years past the State began sometimes 2 months before the Tribe and it would be in January before we were able to start. The last two years we've started before the State, which has helped us greatly by long range planning of carry-over funds. We initiated a certain amount of money for fuel and utilized our Tribal Work Experience Program (TWEP) for cutting wood all summer long so that we were prepared and had everything ready to go in the fall.

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Madam Chairwoman, I'm including a few case examples of the types of services that have been given through our LIHEAP program so that one can see that we work with many age categories with all types of needs.

CASE EXAMPLES

We assisted an 87 year old full-blood Cherokee, by buying her a badly needed wood stove. Ashes were falling out of the rusted sides of her old wood stove which presented an extreme fire hazard. She only received $447.19 a month from a private pension and would not have been financially able to buy her own stove.

Assistance was provided to a 72 year old full-blood Cherokee, with her gas and electricity bill. She had bilateral amputation of her lower extremities. She is also a diabetic and has high blood pressure. She has an income of $345.00 per month and could not afford to pay her gas and electricity bill due to her having to buy medication and transportation expenses to the doctor.

A 37 year old 1/256 Cherokee, was assisted with her utility bills. Her husband had deserted her and their four children. She had applied for AFDC assistance and was approved for

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a grant in the amount of $450.00. Out of this first check she had to pay 2 months rent. Her electricity bill was $252.37 which she could not have paid had our program not assisted her. She and her four children would have been left without any heat if her electricity was cut-off.

We assisted a 61 year old full-blood Cherokee, in getting his water turned back on. Due to a water leak in his water line his water bill was very high and he could not pay it. His water was turned off by the water company and could not be turned on until the total bill of $168.84 was paid. His total household income was $352.00 a month for 13 household members. With his house payment and other bills, he could not pay the bill himself. The Housing Authority of the Cherokee Nation repaired the water leaks and our LIHEAP Emergency Assistance paid the water bill so it could be reconnected. This family had small children in the home and this presented a health hazard as they were hauling water from a nearby spring.

We assisted a 54' year old 7/8 Cherokee with her gas bill. The client had a leg amputated and has to go to a hospital 3 days a week (60 miles away.) This was an added expense to her and she only received $396.00 per month. She had gone into the hospital and had lost her money while there. This put her behind in all her bills and she could not afford to pay her gas bill. With our assistance in paying her gas

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she was able to have her gas kept on.

Our last example, a 106 year old full-blood Cherokee, was assisted with her gas bill. She wanted to remain in her own home and could not afford to pay her gas bill out of the $385.00 per month she receives. (A picture of her is attached.)

These are just a few of the cases that have been served by the Cherokee Nation of Oklahoma.

The Cherokee Nation FY '86 Low Income Home Energy Assistance Program has served 1,401 households, plus 7 households was assisted with Emergency Assistance.

Of the 1,401 households served on our regular LIHEAP, 350 households contained members who were disabled and/or handicapped.

Realizing that Indian Tribes make up a small percentage of the money appropriated for LIHEAP, a big service is rendered and one that is not forgotten. We receive many telephone calls and letters from the elderly thanking us for the little help that we're able to provide. It may only appear to be a drop in a bucket, but many of the elderly and handicapped members of Indian Tribes could not maintain without this type of service. It is a program that must be maintained and refunded.

I would like to thank the committee for giving me the opportunity in expressing my concerns and views on the reauthorization of the Low Income Home Energy Assistance Program.

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Madam Chairwoman, this concludes my testimony. I would be pleased to answer any questions.

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Economic Opportunity Research Institute
1911 N. Fort Myer Drive • Suite 701 • Arlington, Virginia 22209
(703) 243-1315

Testimony Submitted

by

The Economic Opportunity Research Institute

to

The Senate Committee On Labor and Human Resources
Subcommittee On Children, Family, Drugs and Alchoholism
Hearings on the Low Income Home Energy Assistance Program

March 11, 1986

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Economic Opportunity Research Institute
1911 N. Fort Myer Drive • Suite 701 • Arlington, Virginia 22209
(703) 243-1315

The largest single source of assistance to help poor people pay their energy bills is the federally funded Low Income Home Energy Assistance Program. The $2.1 billion appropriated for this program represents the recognition by Congress that the transition from price controls to free market pricing of energy supplies, though necessary as energy policy, was bound to have a disproportionate impact on low income households. Indeed, these funds represent less than 10 percent of expenditures by poor people for residential energy needs.

It is important to recognize that programs such as LIHEAP and the Department of Energy's Weatherization Program are an important foundation upon which to build state and local initiatives to help the poor with the high costs of heating and cooling. These creative efforts leverage federal dollars into even greater resources to try to close the gap between inadequate household income and minimum living requirements. An example of such an enterprise is the low cost home heating oil program run in Massachusetts by its Energy Assistance Program and Citizens Energy Corporation. This effort produces home heating oil for that state's poor people at prices substantially below that of the open market, thereby expanding the reach of LIHEAP resources.

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The following concept paper outlines another approach to use the market place as a vehicle for extending the reach of the LIHEAP dollar. This idea concerns the purchase of low cost natural gas supplies to leverage revenues for households using this important fuel. While still in the "concept" stage, this idea illustrates the creative uses to which state and local policymakers may put the LIHEAP program.

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Economic Opportunity Research Institute
1911 N. Fort Myer Drive • Suite 701 • Arlington, Virginia 22209
(703) 243-1315

Lower Cost Gas For The LIHEAP Program
A Concept Paper

The Objective - To take advantage of current market conditions affecting the producer price of natural gas in order to increase the energy buying power of state energy assistance programs.

The Opportunity -

1) Availability of Lower Cost Gas.

Traditional relationships and procedures in the nation's gas industry are going through some major changes. Until recently, natural gas, which is used by 55 percent of the nation's poor to heat their homes, was a completely regulated commodity. Thousands of gas producers sold their gas at regulated prices to less than three dozen major pipeline networks. These, in turn, sold the gas to hundreds of local utilities for distribution to consumers. This is no longer the case.

The partial deregulation of natural gas wellhead (producer) prices by Congress in 1978 has produced a vast array of prices for gas. Many pipelines signed inappropriate high cost contracts for deregulated gas supplies that have raised their average prices to customers like local utilities and industries above the level that many consumers are willing to pay. The result has been a drop in demand for gas and the development of a substantial gas "surplus". Producers are often willing to sell

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this "surplus" gas at prices that are 25 to 30 percent lower than the average price being paid by most pipelines for their supplies, but the pipelines can't buy much of this gas because of the high priced long term contracts they signed previously. These contracts have become a bottleneck between lower cost gas and consumers.

2) Changing Federal Pipeline Rules.

In order to break the bottleneck and bring more of this lower cost gas to the market, the Federal Energy Regulatory Commission (FERC) that regulates interstate gas pipelines has been permitting increased use of "contract carriage". This means that customers at the end of the pipeline have sometimes been permitted to go directly to the gas producers to buy their gas, bypassing the higher cost pipeline supplies. The pipelines have contracted to carry this gas to the purchasing consumer for a fee but the actual gas purchase transaction has been between parties at either end of the pipeline.

This opportunity to directly purchase lower cost gas has generally been made available only to consumers who could switch fuels easily and who might otherwise reduce their gas consumption. But, on October 9, 1985 the FERC issued Order No. 436 intended to make the direct purchase of lower cost gas by other customers, including local utilities, a possibility. This rule called for pipelines to make contract carriage available to all customers if pipelines are making it available to any

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customers. Many pipelines are trying to avoid participating in this program for fear of being stuck with unmarketable high cost gas; but FERC's commitment to opening up this option in the near future seems clear.

3) The Savings Potential.

These new regulatory and market conditions raise the possibility that the various state Energy Assistance programs can lower the cost of gas being purchased by LIHEAP program benefits. The savings could be substantial. For example, the average cost of Columbia Gas Pipeline's regular supply under its long term contract is reportedly around $3.20 per thousand cubic feet (MCF) and lower cost gas has been available for $2.10-2.20 per MCF. The potential one dollar savings represents a 12.5 percent reduction in the residential customer's price of $8.00 per MCF in Maryland. The savings in any given state would depend on the cost of gas to the particular pipelines serving that state's local gas utilities.

The Mechanism - The LIHEAP program in each state is now a major indirect purchaser of natural gas. Energy Assistance recipients or their utilities have received cash with which to pay for gas supplies on a household-by-household basis but, in fact, significant gas volumes are being sold by utilities and paid for by the assistance program. We are suggesting that the assistance program be permitted to purchase gas directly from producers and

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have it carried by pipelines on a contract carriage basis to local utilities. These utilities, in turn, would credit the supply itself to assistance recipients and charge a distribution fee to the LIHEAP program. If several state programs banded together to create a gas buying block they could achieve substantial market power and program savings.

The concept of interstate contract carriage by pipelines for industrial customers has already been tested. In addition, local utilities have also delivered supplies purchased by end-users for a transportation fee in a local version of contract carriage. The new element here is that the LIHEAP program would be recognized by the PUC and utility as a direct purchaser and that the program would be permitted to deliver a commodity to benefit recipients instead of dollar assistance. The Massachusetts program has used a commodity-in-lieu-of-currency program for home heating oil for a number of years.

This concept differs substantially from that used recently by Citizens Energy Corporation to deliver the benefits of lower cost gas to the poor. Citizens itself purchased low cost gas, delivered it to local utilities at the utilities' current pipeline gas charge and contributed the difference to a local fuel fund. This involved a cross-subsidy between other consumers and the poor. In this case, we are suggesting that a historically large volume customer, namely the energy assistance

program, be recogized as such and be given market power commensurate with its size.

Questions and Problems - The potential problems are many. They include the following:

1) The pipeline reaction to FERC Order No. 436 has been negative and it is not clear when this direct purchase opportunity will become available.

2) PUC regulators may be reluctant to grant a direct purchase right to a customer that is not capable of switching fuels.

3) Local utilities must be able to reduce their own contract commitments by volumes equivalent to that being purchased by the LIHEAP program so that other customers of the utility aren't left holding the bag. For example, Columbia Gas of Ohio, a local distribution company, claims that its supply contracts with Columbia Pipeline will preclude any reduction in its contract purchases for at least two years making it difficult to implement this program without penalizing other customers.

4) Gas purchases by the LIHEAP Buying Group must be coordinated with those of the pipelines and local utilities so that the right amount of gas is delivered at the right time to each utility in each state.

5) These purchases will have to be made on a prospective basis, often well before the actual assistance beneficiaries

have applied and been approved for the program. Financial commitments to purchase gas may also have to be made before federal appropriations are passed.

6) Gas supplies will have to be reliable. Frequently, lower cost gas is sold on a "best efforts" basis meaning that a producer has some wiggle room on the volumes of gas delivered. A mechanism would have to be found to assure that a reliable volume of gas would actually be delivered to beneficiaries.

It is unclear right now whether these or other problems are of such magnitude as to make this concept unworkable. It is our hope to scope out the nature and dimensions of these problems to see if there are states where the concept, or some variation of it, is practical and viable. Should some means be found to implement the program, it could provide a substantial increment to the resources available to LIHEAP programs in participating states.

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STATEMENT OF

THE AMERICAN GAS ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON CHILDREN, FAMILY, DRUGS AND ALCOHOLISM

COMMITTEE ON LABOR AND HUMAN RESOURCES

AND THE

UNITED STATES SENATE

ON THE REAUTHORIZATION OF THE

LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981

March 13, 1986

The American Gas Association (A.G.A.) is pleased to present this statement in support of reauthorization of the Low-Income Home Energy Assistance Act of 1981 (LIHEAA),[1] which created the Low-Income Home Energy Assistance Program (LIHEAP). A.G.A. is a national trade association comprising nearly 300 natural gas distribution and transmission companies that serve 166 million consumers in all 50 states. Collectively, these companies account for nearly 85 percent of the nation's total annual gas utility sales. In addition, natural gas provides 55 percent of the nation's residential space heating requirements.

A.G.A. member companies are deeply committed to meeting the energy needs of all of their customers, particularly their low-income customers. For many years, A.G.A. has supported both federal energy assistance programs: LIHEAP

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[1] 42 U.S.C. §§8621 et seq. (1983).

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and the Department of Energy (DOE) weatherization program. Many of our members have created and supported private fuel funds and weatherization projects that supplement LIHEAP and weatherization program funds. Moreover, A.G.A. maintains a standing subcommittee of gas industry executives, the Fuel Subsidies Subcommittee, that monitors federal, state and local energy assistance activities and provides guidance on energy assistance issues to the gas industry. Indeed, the gas industry's concern about the impact of high energy costs on low-income customers predates the LIHEAP program.

ADEQUATE FUNDING FOR LIHEAP

Over the past 10 years, utilities have witnessed a growing problem of non-payment of utility bills and arrearages by residential customers. Rising energy prices during the 1970s and early 1980s were largely responsible for the increased burden of energy costs on low-income households. Higher prices in other sectors of the economy have also increased the financial burden on low-income consumers, making it difficult for them to meet their energy bills. In response to this problem, Congress established LIHEAP, the purpose of which was to help defray higher energy costs to low-income consumers.

A.G.A. supports a LIHEAP program that is adequately funded. Most studies on the low-income energy problem indicate that past LIHEAP funding levels, including the annual appropriation of $2.1 billion in FY 1985 and FY 1986,

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have not adequately addressed the need for fuel assistance.[2] In a 1984 report, the National Consumer Law Center indicated that LIHEAP funds were paid to only 36 percent of the eligible households.[3] If LIHEAP funds were paid to 100 percent of the eligible households, the average payment per household, which in 1984 was $212, would be reduced by two-thirds. Ideally, LIHEAP funding should be sufficient to ensure that low-income families have a reasonable opportunity to meet their energy bills. Nevertheless, A.G.A. recognizes the impracticality of requesting substantially greater LIHEAP funding.

During the LIHEAP reauthorization in 1984, A.G.A. supported authorization levels of $2.1 billion for FY 1985 and $2.275 billion for FY 1986. We realize that the Balanced Budget and Emergency Deficit Control Act of 1985,[4] otherwise known as Gramm-Rudman-Hollings, will place severe constraints on Congress' ability to increase LIHEAP funding. However, A.G.A. cannot support the Administration's proposal which would authorize LIHEAP funding at $2.1 billion annually for the next three fiscal years. Our member companies' experience with arrearages resulting from

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2 See American Gas Association, Providing Essential Energy Services to Low-Income Customers 7-9 (1985); National Consumer Law Center, Homes Without Heat: A Nationwide Study of Disconnected Natural Gas Users 16-17 (1984); National Consumer Law Center, Out in the Cold 3 (1983).

3 Homes Without Heat, supra, at 17.

4 Pub. L. No. 99-177, §200, 99 Stat. 1037 (1985).

the inability of low-income customers to pay utility bills indicates that a $2.1 billion funding level, particularly in later fiscal years, simply is not enough. To date, no Member of the House of Representatives has offered a bill addressing LIHEAP reauthorization in FY 1987. A.G.A. would support a bill providing for a multi-year reauthorization of at least $2.275 billion (the FY 1986 authorization level), with increases each year to compensate for inflation.

Higher LIHEAP authorization levels also would enable low-income families to reduce the percentage of their income consumed by energy costs. Studies have repeatedly shown that low-income families pay a much greater share of their incomes for heat than do other families. A recent A.G.A. study, which analyzed data compiled from 1982 to 1983 on the energy consumption of low-income households, indicates that households with incomes below 125 percent of the poverty level pay 14 percent of their income for fuel.[5] The average fuel bill for all households was 5 percent of total family income.[6] A.G.A. has estimated that government or private-sector initiatives to reduce the heating bills of low-income gas customers to 5 percent of family income would cost an estimated $10.2 billion in 1984.[7] This cost estimate would

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5 Providing Essential Energy Services to Low-Income Customers, supra, at 9.

6 Id.

7 Id. at 16.

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increase dramatically if the heating bills of those low-income families who heat with electricity or oil are included. Clearly, a modest increase in LIHEAP funding will alleviate some of the burdens of high fuel costs on low-income families.

The Administration's proposal for funding of both federal energy assistance programs actually reduces benefits to energy assistant recipients. In FY 1986, the appropriations for LIHEAP ($2.1 billion) and the DOE weatherization program ($191 million) totaled $2.291 billion. For FY 1987, the Administration proposes the same level of funding for LIHEAP, but zero funding for the weatherization program. Thus, the Administration seeks to cut total energy assistance by 9 percent (without adjustment for inflation). Moreover, the Administration's proposal would eliminate the 15 percent limitation on the diversion of LIHEAP funds for weatherization projects, which would result in less money for direct fuel assistance payments. Since current LIHEAP funding does not sufficiently meet the needs of low-income energy consumers, A.G.A. must oppose any measure that would have the effect of reducing the cash available for direct fuel assistance.

Finally, a multi-year reauthorization helps ensure that LIHEAP is administered smoothly, to the benefit of consumers, states and utilities. The uncertainty in funding inherent in year-by-year authorizations (and appropriations) disrupts the planning activities of state authorities and,

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ultimately, disrupts assistance to low-income consumers. Typically, these disruptions occur at the beginning of the federal fiscal year, which coincides with the onset of cold weather. A multi-year reauthorization of LIHEAP, with adequate funding, would reduce administrative difficulties and ensure that sufficient funds reach eligible households in a timely fashion.

15 PERCENT WEATHERIZATION SET-ASIDE

The Administration proposes, for FY 1987, to eliminate the provision in existing law that permits the diversion of up to 15 percent of LIHEAP funds to finance weatherization projects.[8] Administration officials believe that the states should decide whether to make immediate cash payments to LIHEAP recipients or invest in long-term improvements in energy efficiency.

A.G.A. opposes the elimination of the 15 percent limitation on the diversion of LIHEAP funds for weatherization. We believe that the primary purpose for LIHEAP is to provide emergency funding to low-income families for the payment of their energy bills. Although there is no specific explanation in the legislative history of LIHEAA for the imposition of the 15 percent limitation, it appears, prima facie, that Congress intended for LIHEAP funds to be used primarily for paying energy bills and,

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8 42 U.S.C. §8624 (k).

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therefore, restricted the amount of LIHEAP funds that could be diverted to fund weatherization projects.[9] Indeed, Congress has established a separate, DOE-administered weatherization program that is primarily responsible for providing weatherization assistance to low-income households.[10] A.G.A. strongly supports a well-funded DOE weatherization program and opposes DOE's proposal to eliminate the weatherization program. Furthermore, a well-funded DOE weatherization program eliminates the need to alter the 15 percent limitation on the use of LIHEAP funds for weatherization.

LIHEAP COORDINATION WITH OTHER PUBLIC ASSISTANCE

The Administration proposes to add, as a criterion for determining which recipients should receive the highest level of LIHEAP benefits, the receipt of "other public assistance specifically for home energy costs." In her testimony before this Subcommittee, Ms. Jo Anne Ross, Associate Commissioner for Family Assistance with the Social Security Administration, indicated that current law requires states to pay the highest level of benefits to households with the highest energy costs and the lowest income relative to family size. She stated that it is sometimes possible for the federal government to pay two-thirds of the fuel

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[9] See generally, Conf. Rep. No. 208, 97th Cong., 1st Sess. 1006, reprinted in [1981] U.S. Code Cong. & Ad. News 1368.

[10] 42 U.S.C. §6861 et seq. (1983)

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bill for public housing tenants and that many of these tenants could then receive LIHEAP payments that exceed the remaining one-third of the fuel bill.[11]

Since the text of the Administration's LIHEAP proposal has not been made public, we are are not completely prepared to comment on this provision. Based upon the information that the Administration has provided, however, we can make two observations.

First, Ms. Ross did not submit with her testimony evidence which demonstrates unequivocally that public housing tenants indeed are receiving fuel assistance payments through housing subsidies and LIHEAP that exceed their fuel bills. Until that practice is documented, A.G.A. will refrain from commenting on this change.

Second, A.G.A. would strongly oppose this provision if it is interpreted to reduce LIHEAP benefit levels to LIHEAP households receiving private fuel fund monies. As indicated earlier in this statement, LIHEAP payments to individual households typically do not cover the cost of that family's entire fuel bill. Thus, the receipt of private fuel fund money is not a boon to LIHEAP recipients; that money merely eases the financial burden on LIHEAP recipient families and provides some opportunity to meet their fuel bill obligations.

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11 Low-Income Home Energy Assistance Act: Hearings on LIHEAA Reauthorization Before House Subcommittees on Human Resources, Fossil and Synthetic Fuels, and Energy Conservation and Power, 99th Cong, 2d Sess. (1986) (Statement of Jo Anne B. Ross).

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LIHEAP AND THE WORKING POOR

A.G.A. members are greatly concerned about the problems of the working poor and their ability to meet utility bills. Indeed, in response to this problem, A.G.A assembled a task force to study the phenomenon and develop recommendations for resolving the problem. In October 1985, the A.G.A. Task Force on Essential Energy Services published a report (attached as Exhibit A), approved by the A.G.A. Board of Directors, which set forth recommendations that address the problem of the inability of low-income customers to pay energy bills.

The Task Force recognized that the majority of those families who fail to pay their utility bills are not public assistance recipients, but instead are the so-called "working poor." The working poor are those individuals who suffer from household crises such as unemployment, divorces, illnesses and other tragedies, and do not have the financial resources necessary to overcome such circumstances. The LIHEAP program must be designed to alleviate the burden on the working poor of high utility bills.

To accomplish this goal, however, Congress must fund LIHEAP at adequate levels. Indeed, the A.G.A. Task Force identified thirteen critical elements to any program that could resolve the inability to pay problem. The first and probably most important element was adequate funding of federal, state and local fuel aid assistance. The Task Force further stated that although utility efforts in

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support of private fuel funds have been successful, the gap between fuel assistance needs and available funds is too large to be bridged by other than governmental sources. Thus, adequate funding of LIHEAP is essential if any solution to the arrearage problem is to be found.

CONCLUSION

The natural gas industry supports LIHEAP funding at the highest possible levels and the concept of multi-year authorizations. However, we do not believe that, with a fully-funded DOE weatherization program, the elimination of the 15 percent weatherization set-aside is either warranted or necessary. Furthermore, we cannot, without further information from the Administration, fully endorse or reject the Administration's proposal to lower LIHEAP benefits to certain recipients. We urge Congress to support our efforts to resolve the problem of the low-income energy consumers and authorize the appropriation of adequate sums for LIHEAP.

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STATEMENT

OF THE

AMERICAN ASSOCIATION OF RETIRED PERSONS

ON

REAUTHORIZATION OF THE

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

SUBMITTED TO THE

SUBCOMMITTEE ON CHILDREN, FAMILY, DRUGS, AND ALCOHOLISM

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES

U.S. SENATE
MARCH 13, 1986

American Association of Retired Persons 1909 K Street, N.W., Washington, D.C. 20049 (202) 872-4700

Vita R. Ostrander *President* Cyril F. Brickfield *Executive Director*

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The American Association of Retired Persons appreciates this opportunity to present its views on the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP is extremely important to older Americans. As you consider what elements to include in reauthorization, AARP asks that you bear in mind the following recommendations:

- o LIHEAP serves a critical and continuing need with chronically inadequate funds; it should be reauthorized on a multiyear basis, and as an absolute minimum, reauthorization should be at the current funding level of $2.1 billion.

- o The LIHEAP income disregard issue requires definitive resolution; the statute should clarify that neither vendor nor direct cash assistance payments may be counted as income or resources under the Food Stamp program.

- o Low income energy consumers are unable to keep up with current high energy prices; any tax levied on energy -- foreign or domestic -- should be accompanied by an offsetting increase in authorizations for the Low Income Home Energy Assistance Program.

When the Home Energy Assistance Act was passed in 1980, its stated purpose was to award "grants to States to provide assistance to eligible households to offset the rising costs of home energy that are

excessive in relation to household income." This charge has particular relevance to households occupied by older Americans, which spend significantly more on energy than do non-elderly households.

Low income older persons are especially hard pressed. Low income households consume less energy than others, yet they spend a higher proportion of their incomes to keep their homes warm in winter and reasonably cool in summer. According to the Residential Energy Consumption Survey (RECS) for April, 1982 through March, 1983, low income families spent about 25 percent of their income on energy, while high income households spent only 2 percent of their income on energy.

A major reason for higher budget shares devoted to energy among older persons is lower income associated with age. As income declines with decreasing employment, retirement, or loss of a spouse, older individuals are compelled to spend relatively more on basic necessities, including food, housing, health and personal care. Also, many older people live in old, poorly insulated dwellings that require repair or rehabilitation. (Some 40 percent of all older Americans occupy housing structures built before 1940). These dwellings use energy less efficiently than do units that are properly insulated and in good repair, but their occupants often cannot afford to make improvements.

The dangers posed by extreme weather conditions are acute for

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older Americans. Aged individuals are especially vulnerable to heat stress as well as to hypothermia; a study of the 1980 heat wave that swept across the nation showed that heatstroke rates in persons 65 or older were 12 to 13 times higher than the rate for the remainder of the population. Hence, low income older Americans are in a perilous position when they cannot pay their fuel bills and risk shutoffs by utilities. Many try to pay their bills at the expense of adequate nutrition. Others simply go without heating or cooling -- and face the tragic consequences.

The Low Income Home Energy Assistance Program has made a crucial difference for many of these households. Older Americans are appropriately designated a priority group for services. Of some 6.8 million households receiving assistance in FY 1985, up to 40 percent are estimated by the Office of Family Assistance (based on the Current Population Survey) to contain at least one elderly person. Also, some 220,000 households received weatherization and repair aid under LIHEAP in FY 1985 -- an essential component of energy assistance and the only long-term solution to high household fuel expenses.

Even so, less than a third of all households which are income-eligible for assistance under LIHEAP are able to participate in the program. Many older people do not know about LIHEAP, and among those who are referred to the program for assistance, some come too late, when the money has run out. An example is in the northern part of the state of California, where an agency charged with running the

energy assistance program reports that half of those who requested assistance last year had to be turned away. Although the state had asked the agency to operate the program year-round, it was forced to close down after just 6 months. The agency's funds were reduced last year; in turn, it had to cut back both the number assisted, and the amount of the benefit. An area agency on aging in the state confirms this report, adding that there is a lack of effective outreach to older people, and that the program fails to reach residents who need help with cooling costs.

The state of Pennsylvania is still reacting to a reduction in funds of $6.8 million from last year's appropriation. Initially, benefits were cut by 50 percent, then were raised again by 20 percent with a larger population targeted for assistance. To accommodate this move, the state reportedly is beginning the program later in the year than usual. One LIHEAP agency administrator comments that inadequate funding for energy assistance now will only produce other costs later, as older people become ill and require medical care.

In Florida, an energy assistance provider states that all eligible households are served; as LIHEAP money declines, however, so does the benefit level. In compliance with the 1984 amendments, Florida increased its income limit for eligiblity from 100% to 110% of poverty last year, producing an 8% growth in the agency's caseload. At the rate funds are dwindling, it is feared, payments will eventually be no more than token. Again, a local area agency on aging (AAA) confirms that the assistance provided is "a drop in the bucket." A new

emergency outreach program, contracted through the AAA, seems to be working well, however, tying in energy assistance with case management and nutrition services for the "non-welfare" poor.

It is unfortunate, though understandable, that many states do not aggressively pursue outreach, since a successful effort will only yield lower benefits for all. The losers in this logic are often those most in need of assistance--isolated individuals, many of them elderly, who have no other connection to the public assistance system.

These shortfalls and benefit reductions should be borne in mind when considering the adequacy of the Administration's FY 1987 budget request for the Low Income Home Energy Assistance Program. In addition, the cross-cutting impact of budget proposals for related programs should be taken into account.

For FY 1987, the Administration has requested current funding for LIHEAP -- $2.1 billion. The same budget proposal, however, would eliminate altogether the complementary Federal Weatherization Assistance Program, presently funded at $191 million, and would cut back the Community Development Block Grant (CDBG) by 30 percent. Local governments use a substantial portion of CDBG funds to rehabilitate the homes of low and moderate income elderly as well as small family homes, thus making energy assistance payments "go farther." Moreover, the Administration's budget would eliminate about

$19 million in loans and grants for rural home repair and rehabilitation under the Farmer's Home Administration. In the absence of these activities, LIHEAP monies would be forced to stretch over a broader area, with diminished impact.

Under the Windfall Profits law of 1980, LIHEAP was originally authorized at $3.1 billion, but it has never been funded at that level. A reauthorization in that amount would be well justified now, even given a drop in imported oil prices. However, AARP recognizes that Congress is hard put to expand even the most worthy programs in the face of present budgetary constraints; the Association supports reauthorization at no less than $2.1 billion.

Despite limitations with respect to outreach and adequacy of benefit levels, the Low Income Home Energy Assistance Program has worked well overall. Only one major problem has emerged that threatens to interfere seriously with services -- particularly for older Americans -- and that is the U.S. Department of Agriculture's (USDA) policy of reducing food stamp benefits for households that also receive energy assistance.

LIHEAP's authorizing statute clearly provides that receipt of energy assistance should not result in lower benefits under any other federal or state benefit program. Although the Food Stamp Act supports this mandate, it also contains a provision which USDA has chosen to interpret in a manner contrary to the intent of the energy assistance law. Under this policy, households that receive assistance

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in the form of vendor payments are not permitted to deduct that part of their utility expenses covered by LIHEAP as a portion of their "excess shelter deduction" -- a key calculation in determining eligibility and benefit levels in the Food Stamp program. In effect, vendor payments are added to the net income of food stamp households, causing a food stamp benefit reduction of as much as one-third of the LIHEAP payment.

Such a policy has severe implications for LIHEAP recipients who live in colder climates, and would have the most extreme impact on older households, for whom there is no ceiling on excess shelter deductions under the Food Stamp program. Thus, an elderly household receiving the maximum energy assistance benefit in the state of Vermont could lose as much as $79 in food stamp benefits monthly, while a similar household in North Dakota could have its food stamp benefits reduced by as much as $153 each month. Obviously, many of the poorest elderly households would lose their eligibility for food stamps altogether.

Although every court that has ruled on this policy has found it contrary to the intent of the LIHEAP statute, USDA continues to press for compliance by the states. AARP urges Congress to resolve this issue definitively by including within the reauthorization provisions that clearly exempt energy assistance payments, whether provided directly or indirectly, from consideration in determining eligibility or benefit levels under other assistance programs.

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One last issue the Association would raise concerns the prospect of a tax being imposed on energy. Many such proposals are now under active discussion in Congress. An energy tax would, for the most part, be passed on to consumers. As with any consumption-oriented tax, an energy tax would be particularly burdensome to low and moderate income consumers, with the degree of hardship further dependent on the geographic region in which the consumer resides.

For those households that already expend a large percentage of income on fuel costs, the Association believes that compensatory relief would be essential. While additional tax adjustments might help to alleviate the increased burden of an energy tax, other appropriate measures would be necessary to ensure that low income persons -- who do not even owe taxes -- do not bear the brunt of such a measure. The Association therefore strongly recommends that any tax imposed on energy -- whether foreign or domestic -- be offset by increases in funding for Low Income Home Energy Assistance Program.

This concludes the Association's statement.

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TESTIMONY REGARDING THE REAUTHORIZATION OF THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

PRESENTED BY GOVERNOR MICHAEL S. DUKAKIS

BEFORE THE SUBCOMMITTEE ON CHILDREN, FAMILY, DRUGS, AND ALCOHOLISM; COMMITTEE ON LABOR AND HUMAN RESOURCES U.S. SENATE MARCH 13, 1986

The Low Income Home Energy Assistance Program (LIHEAP) in Massachusetts provides heating assistance and conservation services to over 150,000 households annually. We estimate that our combined FY 86 allocation of $82.7 million in federal funds, supplemented by $17 million in state funds, reaches about 65% of those households in the Commonwealth who are potentially eligible by income. I urge this Committee and the full Senate to act quickly to reauthorize this vital program for a minimum period of at least four years, and to continue the Block Grant approach which gives states the flexibility to design programs to meet those most in need.

I would like to address several key issues regarding LIHEAP reauthorization: 1) the need to sustain full federal funding commitment in FY 87 and beyond; 2) the continued need for Block Grant flexibility and long-term planning; 3) support for the maintenance of the current formula as the most equitable method of distribution of these funds; and, 4) ensuring that LIHEAP benefits are not counted as income in determination of other federal benefits.

The Administration has proposed level funding for LIHEAP at $2.1 billion for FY 87. At a minimum, it is crucial, given the continuing low-income need for energy assistance, to maintain this full federal commitment to funding LIHEAP. In order to guarantee heat throughout the cold winter months to our low income citizens, the Commonwealth has consistently supplemented since 1978 the federal

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resources for this program with its own funds. State funding at a level of $17 million has been maintained for the last four years, and will continue in FY 87, the highest state appropriation for this program in the nation. This commitment of additional state resources to LIHEAP allows us to serve 34,000 households who would go unserved if we were to rely solely on federal funding levels. Since 1982, when the Block Grant went into effect, we have seen a decline in the cost of fuel oil that allows us to maximize our scarce resources, but which in no way limits our pool of eligible clients. The need for energy assistance continues dramatically to outweigh available federal appropriations. We have consistently used 100% of our state and federal resources for heating assistance, neither transferring funds out of this Block Grant, nor carrying over funds from one fiscal year to the next.

With the arrival of Exxon Oil Overcharge Funds to the states, the Congress may consider lowering the appropriation for LIHEAP. To the contrary, I urge you to take action promptly that at least maintains, if not increases, the current federal funding of $2.1 billion. While the Exxon funds do provide a source of revenue to states, they are intended to be used to provide restitution to those harmed by oil pricing practices, not to supplant general federal revenue support. If we are ever to break the cycle of dependency on federal programs, we must seek innovative and long term strategies to reduce consumption and cost of energy for our low-income households. In Massachusetts, we hope to use our oil overcharge funds for major innovative conservation efforts that will have a long term impact on the self-sufficiency of our households - efforts that can over the long term reduce our client dependency on LIHEAP. To lower appropriation levels now as a result of the release of Exxon dollars forces states to tap those restitution dollars to stabilize the loss of federal funds, thereby forcing a cycle of sheer program

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maintenance instead of creating strategies that decrease our dependency. This subcommittee and the full Congress must not look to short-term measures of funding that reduce the states' ability to seek solutions to the cost of energy.

We appreciate the Block Grant approach in Massachusetts and believe that, with one technical change, the current LIHEAP statutory language should be maintained. States are in the best position to define low income energy needs, target resources, design service delivery mechanisms, and administer programs - the current LIHEAP statute maintains this flexibility. Since the ability to plan and implement timely services under this program must occur with the onset of the heating season, October 1 in our state, states need a long-term reauthorization of LIHEAP for a minimum period of four years so that programs will not be jeopardized by uncertainty of resources from year to year.

As part of the current statute, a funding formula compromise was reached in 1984 which redistributed funds from colder Northeast oil-using states to midwest and southern states which were experiencing major increases in natural gas costs. Massachusetts lost $4 million in its LIHEAP allocation in FY 86 as a result of this change, a loss we felt we could sustain only because of declining oil prices. Without the accompanying hold harmless provision, we could have lost $8 million in FY 86 alone. We believe that the current funding formula should be maintained as the most equitable and simple distribution of LIHEAP dollars. Depending on appropriation levels, an additional formula change could result in a further loss to Massachusetts of $8 - $20 million - before any Gramm/Rudman action. Clearly the Northeast has already compromised on this issue and sustained losses; further reductions to our LIHEAP allocation would seriously affect our ability to maintain heat during the cold winter months to our low income citizens to such an extent that their lives would be threatened. We cannot allow this to happen.

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Finally, I would like to address the need for a technical change in the LIHEAP statute that will ensure that LIHEAP benefits are not counted as income in determining other federal low income benefits such as Food Stamps. We believe that Congress intended to provide energy assistance through this program to a needy population, and that receipt of LIHEAP benefits should not jeopardize their access to full benefits under other federal programs. The current LIHEAP statute needs language that ensures our low income households are protected.

Thank you for the opportunity to provide written testimony to this Subcommittee. I urge your prompt action on a four year reauthorization of the LIHEAP statute with a minimum recommended appropriation level of $2.1 billion plus a marginal 3-4% inflation factor. The need for full support of this program continues as we focus on maintaining housing affordability for our low income citizens.

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THOMAS R. KUHN, Executive Vice President

EDISON ELECTRIC INSTITUTE
The association of electric companies

1111 19th Street, N.W.
Washington, D.C. 20036-3691
Tel (202) 828-7400

March 31, 1986

The Honorable Paula Hawkins
Chairman
Subcommittee on Children,
Family, Drugs and Alcoholism
Labor and Human Resources Committee
United States Senate
Washington, D.C. 20510

Dear Madame Chairman:

I am writing on behalf of the Edison Electric Institute in support of S. 2081, the Human Services Reauthorization Act of 1986. Section 3 of the bill, calling for reauthorization of the Low-Income Home Energy Assistance Program, is of particular interest to the Institute. The Edison Electric Institute is the association of electric companies. Its members serve 96 percent of all customers served by the investor-owned segment of the industry. They generate approximately 75 percent of all the electricity in the country and service 73 percent of all ultimate customers in the Nation.

Many of our residential customers look to the Low-Income Home Energy Assistance Program (LIHEAP) for help in paying for the electricity they use to heat their homes. They also look to the programs of financial aid, energy conservation, and weatherization initiated by our member companies. Some of the best examples of private-public partnerships are the energy programs designed for the special needs of the poor. Neither the private nor the public sector can shoulder the entire burden but, by working together, government and private utilities can accomplish a great deal. LIHEAP is an essential element of the partnership.

Each year, the Institute and the American Gas Association publish The Collection Picture, a compilation of information from members regarding delinquent accounts, charges written off, and similar data. The most recent survey was conducted in 1984; 150 companies responded (52 electric companies, 50 gas companies, and 42 combination companies for a total of 144). The survey revealed the following:

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- During 1984, the responding companies charged off $353 million as uncollectible, up from $253 million in 1983. For the electric companies, the amounts charged off represented seven percent of all residential revenues. The number of customers whose accounts were charged off represented four percent of all residential customers for the responding electric companies.

- During the same time period, the number of delinquent residential customers increased to over 12 million, from nearly 10 million in 1983.

Clearly, a substantial percentage of residential customers are having financial difficulties with their electric bills.

These difficulties persist despite the efforts of electric utilities to offer assistance. Special payment plans, such as budget billing, third party notification on a long overdue account, and deferred payment, are now offered by many electric companies according to a 1985 EEI survey. Some companies avoid charging late payment fees by extending the utility bill due date to coincide more closely to the time when the customer receives a Social Security, retirement, or benefit check.

Additional programs are offered for the elderly and handicapped that reach far beyond concern for payment of the utility bill. Many companies designate special personnel to serve as a link between the customer and local community service organizations. Indeed, similar assistance is provided to other customers in need. Many electric utilities work with community and state social service agencies to facilitate the delivery of energy assistance, such as LIHEAP, and distribute information about the programs to qualified customers.

Electric companies approach the problem of energy bills from another angle--conservation and weatherization. Companies have developed effective, creative programs designed to cut energy consumption, and have made them available free or at affordable prices to financially disadvantaged customers.

Finally, electric companies give financial assistance through Fuel Funds. The Baltimore Gas and Electric Company established the first Fund nearly ten years ago, and the idea has spread to over 60 companies. Under such a Fund, the electric utility solicits contributions from some combination of customers, shareholders, and employees. The Funds are usually administered by the Salvation Army or other social service organization. Most Fuel Funds are earmarked to help residential customers experiencing an emergency. The monies can generally be applied to utility bills, the purchase of home heating fuel, or to minor furnace and air conditioning repairs.

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Without doubt the efforts of electric utilities have reached thousands of financially disadvantaged customers. However, the assistance available from these companies simply cannot meet the total need. The Low-Income Home Energy Assistance Program has been a life-line for many people. We urge the reauthorization of this essential program.

Sincerely,

Thomas R. Kuhn

TRK/jr

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Senator HAWKINS. We thank you for this very valuable information as we proceed to reauthorize this most valuable program.

We are adjourned.

[Whereupon, at 11 a.m., the subcommittee was adjourned.]

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